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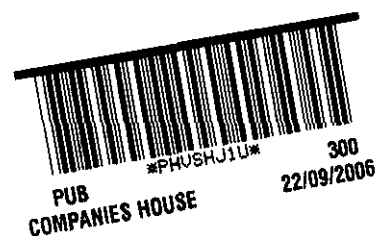
**Manchester International Festival**

**(a company limited by guarantee)**

Report and Financial Statements

Period Ended

31 March 2006



**Manchester International Festival (a company limited by guarantee)**

**Report and financial statements for the period ended 31 March 2006**

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**Directors**

R. Paver  
M. Hackett  
B.L. Smith  
M. Oglesby  
H.K. Raynor  
T.P.R. Bloxham

**Secretary and registered office**

A.C. Neale, 131 Portland Street, Manchester, M1 4PY

**Company number**

05292793

**Auditors**

BDO Stoy Hayward LLP, Commercial Buildings, 11-15 Cross Street, Manchester, M2 1WE

# **Manchester International Festival (a company limited by guarantee)**

## **Report of the directors for the period ended 31 March 2006**

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The directors present their report together with the audited financial statements for the period ended 31 March 2006.

### **Results and dividends**

The profit and loss account is set out on page 8 and shows the profit for the period.

### **Principal activities, review of business and future developments**

Manchester International Festival (MIF) is a company limited by guarantee governed by its Memorandum and Articles of Association dated 22 November 2004. The company became a registered charity on 26th April 2006. Due to the change in the company's status the Directors consider it appropriate to describe the result for the year as a surplus rather than a profit. Anyone over the age of eighteen can become a member; subject to approval by the Board. There are currently three members each of whom agree to contribute a sum not exceeding £10 in the event of the company being wound up.

The objects of Manchester International Festival are:

"To promote, maintain, improve, develop and advance public education by the encouragement of the arts including (but not limited to) music, opera, dance, singing, dancing, literature and the visual arts and in particular (but without prejudice to the generality of the foregoing) the holding of festivals of culture, ideas and creativity."

These first accounts of the Manchester International Festival tell a relatively simple story of the setting up of the Festival and the development of plans for the inaugural Festival in June/July 2007.

The main artistic activity in the period of these accounts was the pre festival commission trailblazer Gorillaz: Demon Days Live, the details of which we report under Achievements and Performances, and the first phase of investment in artistic research and development, and commissioning and co-commissioning work for future performance.

The Directors are enormously grateful to Alex Poots and his team for all their hard work in this build up period, and we would like to pay tribute to our major funder, Manchester City Council, without whom the Festival would not exist.

Thanks to Manchester City Council, the founding partners and sponsors have come together to help realise the exciting vision of the Festival - and we would like to pay tribute to our founding sponsors, North West Development Agency, Bruntwoods and United Utilities. We are enormously grateful to our sponsors and to their commitment and vision in supporting the Festival at this early and vital stage.

### **STRATEGIES**

In this first period, we have laid the strategic foundations of the Company with the appointment of a Festival Director, Alex Poots, and core staff team, the setting up of an office space, the establishment of sound business systems and good practice with our staff handbook and range of policies, the application for charitable status, the securing of a range of valuable partners and the launch of our website and first pre festival commission trailblazer event; Gorillaz: Demon Days Live.

We report under achievements and performances the achievements of Gorillaz: Demon Days Live, our first pre festival commission trailblazer event.

We are grateful to our sponsor, Bruntwoods, for the office space, which provides the Festival with a good central Manchester base from which to work. We are especially grateful to our team members who led the process of setting up the office administrative systems; Belinda Kidd, Helen Palmer, Christine Cort, Anna Neale, Simon Mellor, Richard Sanders, Lindsey Moutrey, Melanie Hurst, Esther O'Callaghan and Bernie

**Report of the directors for the period ended 31 March 2006 (*Continued*)**

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Jeffers.

We record under the Directors' Report our gratitude to our partners; particularly our founding sponsors and our major stakeholder, Manchester City Council. The foundation of support from Manchester City Council and our sponsors has enabled us to develop our plans and work on the creation of this exciting new Festival.

Initial work on the development of a Business Plan has involved scoping the shape of the business until 2011/2012. This plan covers the first three Festivals - 2007, 2009, 2011 - and we are now finalising the detailed plans for the 2007 Festival and further developing the plan for the first three years of the six year plan.

The six year plan is being developed over financial year 2006/07 in partnership with Manchester City Council, the Arts Council and our founding sponsors - NWDA, Bruntwoods, United Utilities, Manchester Airports and other partners and co-producers in Manchester and internationally.

It builds upon the values and vision identified by Alex Poots, our Festival Director, supported by the Board. Where possible it seeks to develop long term strategies which deliver artistic innovation, benefits for artists, audience members and stakeholders and lasting legacies for both Manchester and Britain.

We will be able to report more fully upon the strategies in our next accounts for 2006/07, during which period the plan will have been completed and approved by the Board. In financial year 2007/08 we will see the first major phase of implementation of our strategies to achieve our objectives with the 2007 Manchester International Festival.

We have appointed our evaluators through a tender process - Morris, Hargreaves, McIntyre/Arts About Manchester - and they are already working with our stakeholders and staff to develop robust targets and processes to measure the extent to which our strategies deliver our objectives. We will be reporting on these in the annual accounts for 2007/2008.

#### **ACHIEVEMENTS AND PERFORMANCES**

Gorillaz: Demon Days Live was the first ever live performance by the multi- million album selling band Gorillaz, and took place at the Manchester Opera House from 1 - 5 November 2005.

Demon Days Live involved a huge number of performers, 110 people in total, with 86 appearing on stage each night. As well as the internationally famous artists, these included musicians from the Royal Northern College of Music, based in Manchester; 52 local children who formed two choirs, singing on alternate nights; and a new secular adult choir. The involvement of the local artists and young people was at the heart of the event, and made a key contribution to its success. MIF intends to develop and build on the relationships that came out of this engagement.

The event was hugely successful, with all 9,575 tickets selling out within a few hours of going on sale. A further 750,000 people listened to the Radio 1 broadcast on 4th November 2005, and 180,700 watched Channel 4 broadcast the entire show on 27th March 2006. It achieved widespread and very positive media coverage from around the world, including the extensive BBC coverage.

Post event research suggests that the pre festival commission Trailblazer event attracted new audiences to the venue, city and country and that these audiences brought significant economic contributions beyond the scope of the event itself. 5% of the audiences came from international locations.

A lasting legacy for Manchester was created by the setting up a brand new secular gospel choir containing 22 local men and women was set up, with the help of Wayne Ellington and Wayne Hernandez. The choir performed on the final 3 songs every night. The choir will now continue as the Manchester Sing Out Choir.

# **Manchester International Festival (a company limited by guarantee)**

## **Report of the directors for the period ended 31 March 2006 (Continued)**

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### **Risk management**

The company's risk management strategy has been set up in the year and review of this has been delegated by the Board to the finance and audit subcommittee who will perform an annual review of the risks the company faces. The initial review will take place in autumn 2006.

### **Financial review**

In this initial accounting period the focus of MIF has been on setting up appropriate accounting systems and controls. Management account systems have been set up along with internal control systems. In the period the board reviewed management accounts and other finance reports but a finance and audit subcommittee has now been set up to review the work of the finance department.

In the 16 months to 31st March 2006 the financial activity has been relatively simple. The chief funding sources have been Manchester City Council, Sponsorship, the Arts Council and Box office income from the Gorillaz event (£220k).

### **Investment powers and policy**

Under the company's Memorandum and Articles of association the company has the power to invest in any way thought fit. MIF's policy with regard to making best use of available funds endeavors to keep funds in interest bearing deposit accounts.

### **Reserves policy**

In accordance with the Arts Council's recommendations for arts organisations to 'thrive not survive', we aim to develop an unrestricted reserve which could be drawn upon to help us achieve our objectives, and which would have, as a priority, the aim to enable the Festival to invest in long term artistic research and development, enabling the Festival to explore artistic innovation without timescales or deadlines. This fund would prioritise the expenditure on international experiment and innovation which is vital to renew and refresh the Festival's vision and its position as a world leading innovator

### **Directors**

The directors of the company during the period were:

R. Paver	(appointed 13 December 2004)
M. Hackett	(appointed 13 December 2004)
B.L. Smith	(appointed 22 November 2004)
M. Oglesby	(appointed 22 November 2004)
H.K. Raynor	(appointed 22 November 2004)
T.P.R. Bloxham	(appointed 16 December 2004)

No director had any beneficial interest in the share capital of the company.

There are three directors on the Board who are not members. A director must be a natural person aged eighteen years or older who is not disqualified from acting as a director by law.

### **Appointment of directors and members**

As set out in the Articles of Association membership is open to individuals or organisations who apply to the company in the form required by the directors and who are approved by the directors. Proposed members are approved by the Board at general meetings. The company may by ordinary resolution appoint a person who is willing to be a director.

### **New directors induction and training**

Since MIF gained charitable status new trustees receive a board induction pack including the company's governing document, details of the responsibilities of charity trustees, the six year budget, the most recent management accounts and papers from the previous two board meetings. The new member then has an induction meeting where the contents of the pack are discussed in detail. In autumn 2006 MIF will begin its formal training of all trustees by external specialists.

### **Organisation**

The Board of directors administers the company. The Board meets quarterly and has a finance and audit subcommittee, which meets prior to each Board Meeting. The Board has appointed a Festival Director to administer the day to day operations of MIF. To assist in the effective running of the company the Festival Director has, as approved by the Board, delegated operational matters including finance, production and marketing.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Manchester International Festival (a company limited by guarantee)**

**Report of the directors for the period ended 31 March 2006 (*Continued*)**

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**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at a general meeting.

**By order of the board**

  
A C Neale

**Secretary**

19 September 2006

**Manchester International Festival (a company limited by guarantee)**

**Independent auditor's report**

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**To the shareholders of Manchester International Festival (a company limited by guarantee)**

We have audited the financial statements of Manchester International Festival (a company limited by guarantee) for the period ended 31 March 2006 on pages 8 to 13 which have been prepared under the accounting policies set out on page 10.

*Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

*Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

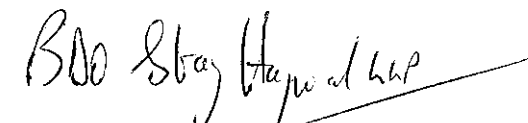


**Independent auditor's report (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2006 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD LLP**

*Chartered Accountants*

*and Registered Auditors*

Manchester

22 September 2006

**Manchester International Festival (a company limited by guarantee)**

**Profit and loss account for the 16 months ended 31 March 2006**

	Note	16 months ended 31 March 2006 £
<b>Turnover</b>	2	1,398,954
Cost of sales		977,826
		<hr/>
<b>Gross surplus</b>		421,128
Administrative expenses		399,877
		<hr/>
<b>Operating surplus</b>	3	21,251
Other interest receivable and similar income		1,586
Interest payable and similar charges	5	(34)
		<hr/>
<b>Surplus on ordinary activities before and after taxation for the financial period</b>		<b>22,803</b>
		<hr/> <hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current period are included in the profit and loss account.

There are no movements in shareholders' funds in the current period apart from the profit for the period.

The notes on pages 10 to 13 form part of these financial statements.

**Manchester International Festival (a company limited by guarantee)**

**Balance sheet at 31 March 2006**

	Note	31 March 2006 £	31 March 2006 £
<b>Fixed assets</b>			
Tangible assets	6		37,608
<b>Current assets</b>			
Debtors	7	578,804	
Cash at bank and in hand		35,197	
		<hr/>	
		614,001	
<b>Creditors: amounts falling due within one year</b>	8	628,806	
		<hr/>	
<b>Net current liabilities</b>			(14,805)
			<hr/>
<b>Total assets less current liabilities</b>			22,803
			<hr/>
<b>Capital and reserves</b>			
Profit and loss account			22,803
			<hr/>
			22,803
			<hr/>

The financial statements were approved by the Board on 19 September 2006.



R. Paver  
Director

The notes on pages 10 to 13 form part of these financial statements.

## **1 Accounting policies**

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

### *Turnover*

Turnover represents box office income arising from events together with grants and sponsorships exclusive of VAT and discounts where applicable.

### *Resources expended*

All expenditure is accounted for on an accruals basis. Costs for future events are deferred until the period in which the relevant event takes place.

### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computers	- 50%
Office equipment	- 33 1/3 % - 50%

### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

## **2 Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

**Manchester International Festival (a company limited by guarantee)**

**Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)**

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**3 Operating profit**

	16 months ended 31 March 2006 £
This is arrived at after charging/(crediting):	
Depreciation of tangible fixed assets	12,280
Audit services	4,000
Non-audit services	11,500
Exchange differences	(401)
	<hr/>

**4 Employees**

Staff costs consist of:

	16 months ended 31 March 2006 £
Wages and salaries	535,143
	<hr/>

None of the directors received any remuneration for their services to the company during the period.

The average number of employees (including directors) during the period was 5. This average number has been calculated based upon full-time equivalents of part-time employees. During the period a total of 14 people were employed by the company.

**5 Interest payable and similar charges**

	16 months ended 31 March 2006 £
Bank loans and overdrafts	34
	<hr/>

**Manchester International Festival (a company limited by guarantee)**

**Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)**

**6 Tangible fixed assets**

	<b>Fixtures and fittings £</b>	<b>Office equipment £</b>	<b>Total £</b>
<i>Cost</i>			
Additions and at 31 March 2006	<b>15,784</b>	<b>34,104</b>	<b>49,888</b>
<i>Depreciation</i>			
Provided for the period and at 31 March 2006	<b>3,699</b>	<b>8,581</b>	<b>12,280</b>
<i>Net book value</i>			
At 31 March 2006	<b>12,085</b>	<b>25,523</b>	<b>37,608</b>

**7 Debtors**

	<b>31 March 2006 £</b>
Trade debtors	<b>324,967</b>
Other debtors	<b>15</b>
Prepayments and accrued income	<b>253,822</b>
	<b>578,804</b>

All amounts shown under debtors fall due for payment within one year.

**8 Creditors: amounts falling due within one year**

	<b>31 March 2006 £</b>
Trade creditors	<b>274,128</b>
Taxation and social security	<b>35,136</b>
Accruals and deferred income	<b>319,542</b>
	<b>628,806</b>

**Manchester International Festival (a company limited by guarantee)****Notes forming part of the financial statements for the period ended 31 March 2006 (Continued)**

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**9 Control**

The company is controlled by the members and directors.

*Related party transactions and balances*

During the year the company received sponsorship income from the following: NWDA of £100,750, of which B. Smith is on the Board of Directors and Bruntwoods of £71,687 of which M. Oglesby is a director.

Rent of £33,125 was received as a value in kind from Bruntwoods.

B. Smith was paid £363.80 expenses in the year for reimbursement for travel to Board meetings.

Palmer Squared a company owned by the Marketing Director provided services to the value of £44,926.

Grant income of £500,000 was received from Manchester City Council of which M. Hackett is a Councillor.