

MIDLANDS ARTS CENTRE
(A company limited by guarantee)

(Trading as **MAC**)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2018

Company No: 00718349

Charity No: 528979

**MIDLANDS ARTS CENTRE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 March 2018**

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MIDLANDS ARTS CENTRE REPORT OF THE TRUSTEES 2017/2018

The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2018 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Chair's Report

This was a busy year for us at the Midlands Arts Centre, in which we saw exciting plans start to take shape with a renewed sense of vision and vigour.

MAC continued to build on its national reputation as one of the country's pre-eminent arts centres as well as one of the busiest, attracting hugely diverse audiences. This report offers an insight into the richness of the artistic opportunity we are able to make available to everyone in delivering our aims of "arts for all" and we are enormously proud as ever by the public's continued support of **MAC**.

Once again it was confirmed by Visit England (2017) that **MAC** was the most visited free attraction outside of London with 1.13 million visits. Whilst audiences remain loyal it is the responsibility of the charity and our trading company to remain resilient and profitable. Like many arts organisations across the UK, **MAC** continues to face a number of financial challenges. In April 2017 we were met with a significant reduction in the revenue grant from our long standing partner Birmingham City Council.

It is of course challenging to continue to maintain the high quality provision we provide when long-established revenue funding has become unreliable, so we continue to seek new ways to utilise our team skills and the flexibility of the venue. Our relationship with the Council continues positively as we begin to identify alternative and innovative business opportunities that can mutually benefit our shared ambitions to enforce strong economic, social and cultural success for Birmingham. As we and our visitors enjoy the benefit of the beautiful Cannon Hill Park we look forward to new partnerships with our neighbours in the Edgbaston area in relation to sustainability with the future possibilities of extending well-being and cultural offers.

Naturally we look ahead. In 2017/18 we produced a new four-year Business Plan that provides a strong road map both artistically and financially of our strategic aims. **MAC** has a proven track record in fundraising and realistic plans are in place to achieve commercial and earned income growth. This alongside strong evidence of financial controls and management puts us in a positive position going forward.

Our work this year has only been made possible by the enormous encouragement of long-established partners, not least from Arts Council England, who once again awarded **MAC** National Portfolio Organisation status. In addition we were awarded a generous grant from ACE towards our Older People's programme that sees us establish an art club and commission older artists to make new artwork.

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We also received four years of funding by Youth Music towards our award-winning, **MAC Makes Music** programme. This superb programme focusses on developing progression routes for excluded and disabled young people, particularly around ensemble opportunities with links to a new National Youth Orchestra, bands and choirs. This of course ties into our work with **MAC's** volunteer programme the 'A Team' funded generously by The Esmee Fairbairn Foundation that supports residents with disabilities to access the arts and actively contribute their ideas to cultural activities. And it is that inclusion which is at the heart of **MAC's** ethos, our work in this area is as ever supported invaluablely by players of People's Postcode Lottery. Our appreciation is also extended to the longstanding commitment of The Saintbury Trust, The Roughley Trust and the Feeney Trust for their generous financial support.

In 2017/18 public investment accounted for 19% of **MAC's** turnover. The earned income we generated an impressive 81% was derived through our excellent trading offer in this year, services that integrate and support our arts programmes. Given the sober situation on the UK high street with a fall in discretionary spend and spurred by rising prices, we are naturally pleased to buck the trend and secure another year of successful trading.

Undoubtedly our success stems from our incredibly passionate and hardworking workforce, without whom, our popular contemporary arts, exemplary engagement programmes and impressive venue could not deliver such a compelling experience to our visitors.

I would lastly like to recognise the ongoing efforts of my colleague Board members of **MAC**, whose outstanding commitment continues to ensure that **MAC** delivers a professional and valued service for everyone.

Jonnie Turpie - MBE
Chair of the Trustees



27 September 2018

MIDLANDS ARTS CENTRE OUR PURPOSES AND ACTIVITIES

MAC's principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others; and
- participate in, and undertake, their own arts activities.

Mission

To promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives.

Vision

Artists and their relationship with audiences are at our heart. We enhance this resource at the centre of arts development in the city, region and beyond. Our programmes focus on work exploring new grounds and adopting inter-cultural and inter-disciplinary approaches across a range of art forms and the meeting points in between.

Values

MAC's ethos is based on a set of values which inform the whole of its activities and helps to shape the organisation's work. **MAC** values the following:

- excellence in artistic practice, that is experimental and strives to engage with audiences;
- helping artists to find their own, unique voice and to forge productive partnerships with other artists and the general public;
- celebrating diversity and strengthening social cohesion;
- offering equal opportunities to everyone whilst recognising the uniqueness of artistic talent;
- increasing the accessibility of the arts and respecting their complexity;
- giving participants and audiences more involvement in activities and introducing them to new challenges and innovations; and
- making the most of the social benefits of the arts and valuing the pleasure people gain from their own individual artistic expression through wellbeing.

Public Benefit

In shaping and reviewing its objectives and planning its activities, the Trustees have considered the Charity Commission's guidance on public benefit, including guidance on public benefit and fee charging

The Board of **MAC** and its staff have continued to hold its business plan under review honing future plans in the light of operational experience, future public investment prospects and the strategic context for its future activities.

MAC relies on grants and the income from fees and charges to cover its operating costs. In setting the level of fees, charges and concessions, the Board gives very careful consideration to the accessibility of the centre for those on low incomes and those with particular needs.

MAC's venue continues to enable an increasingly wide range of arts, learning and participation activities and provides a base for substantial outreach activities through touring and community engagement, especially in communities with little local access to arts participation. **MAC's** commitment is to continue providing the people of Birmingham, and the wider region, with an annual arts programme. These activities are designed to meet the interests of all, and embrace

MIDLANDS ARTS CENTRE OUR PURPOSES AND ACTIVITIES

specific strands for children, young people, families and people with disabilities. **MAC** places a firm emphasis on equality of access and the celebration of intercultural activities in a youthful and diverse city.

MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

Artistic Highlights from 2017/18 – A flavour of the year at MAC

The 2017/18 programme offered a wide-ranging, dynamic programme of presentations across theatre, exhibitions, comedy, dance and music. Subjects explored issues of gender politics, disability, mental health and LGBTQ experience, through to a range of new commissions showcasing international work and residencies from India, Bangalore and the USA, alongside **MAC's** assertion to create more exciting digital content beyond the venue. We also began to further extend our work with families, in particular early years, with new performances and workshops.

Women & Protest Season

MAC produced a popular Autumn season exploring the theme of women and protest taking inspiration from Dr Sally Payen's main gallery exhibition, *The Fence and the Shadow*, newly commissioned paintings inspired by events that occurred at the Greenham Common Peace Camp. The Government Art Fund later purchased a signature painting for their collection.

Women & Theatre were commissioned to make new writing, *Rocking the Wire*, developed from research and interviews. This engaging new production shared the experiences of Birmingham women and Greenham. A wide-range of inspirational talks, film screenings and workshops were organised to involve audiences including an evening with Sarah Corbett and Lucy Siegle about the 'craftivism movement' and also 'Protest Feast' – a specifically commissioned dining experience with a provocative menu and lively performances about the Greenham experience.

Artist Rooms: Jenny Holzer

In partnership with Tate and Museums of Scotland, **MAC** presented a solo exhibition of digital work by the US artist Jenny Holzer, one of most seminal and important political artists working today. It was also a privilege to welcome the artist to **MAC** for a special – sold out – talk about her career since the 70's.

Birmingham Weekender

In partnership with the British Council and Sampad, **MAC** presented beautiful new performances of contemporary Indian dance – Daksha Sheth Dance Company and Dramanon Bangalore – to showcase modern dance drama at the city's premier biennale arts festival.

Here, There and Everywhere

MAC was part of a national consortia of arts organisations whose ambition was to create sustainable partnerships with artists and curators based in India over a three-year programme. This culminated in 2017 with a major exhibition by Mumbai artist, Sahej Rahal, a conference and residencies. It was part of a national programme entitled *Re-Imagining India*, a UK and India celebration cultural exchange coinciding with the 70th anniversary of India's independence from the UK.

New Art West Midlands 2017

MAC launched a brilliant showcase of exciting, emerging artists recently graduated from the region's universities, in partnership with major museums across the West Midlands.

MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

Made at MAC

Throughout the year we showcased the work created by **MAC** course participants and the richness of their learning experience. The exhibitions demonstrate the creative talents of both the Artist Tutors and their students from the 200+ creative courses on offer.

Raymond Brigg's Father Christmas

Award winning theatre company Pins and Needles, attracted sell-out capacity audiences targeted at early years and families. Alongside this we promoted **MAC's** Gift a Ticket fundraising campaign that saw us offer 500 free tickets to families who would ordinarily not have access to theatre.

Independent Cinema at MAC

We continued to offer diverse, British made and international titles in a mix of new releases and art-house films as well as special live screenings. Festival partners included SHOUT Festival; Flatpack; London Indian Film Festival; Behind the Curtain Festival and Screening Rights Festival in partnership with the University of Birmingham.

Playback

In partnership with Channel 4/Random Acts and ICA, London, **MAC** presented a major exhibition of 145 short films made by young artists aged 16-24 years, to diverse new audiences around social issues and their lived experience.

Learning and Participation

With over 1,500 sessions annually **MAC** is a making and doing place, where visitors can learn practical arts skills in our well-equipped studios led by a team of professional Artist Tutors. Learning and Participation projects are developed in a range of formats, as well as off-site opportunities.

MAC Makes Music

This marked **MAC's** final year of funding from Youth Music - a strategic partner whom we work with to provide access to music-making opportunities for children and young people, regardless of their circumstances. We champion innovation in music making approaches, support workforce development and advocate for equality in music education in partnership with Music Education Hubs in Birmingham, Coventry, Sandwell, Solihull and Worcestershire. We work with Pupil Referral Units, hospitals, school settings including SEND, to influence sustained music making activity for those with limited access to music provision. We are delighted to report that after a new application was submitted in March 2018, through a competitive tendering process we were accepted by Youth Music, to continue this innovative and outstanding work until March 2022.

Next Generation

MAC's Next Gen offer is varied and offers an entry point and catalyst for young people and emerging artists to engage their creative capabilities in a supported environment, and to develop skills through exposure and training in a variety of areas. Examples include:

- A partnership with the 4th BFI film academy supporting 20 aspiring young film makers to develop their film making potential and to create brand new shorts films, including a live action/animation short and a documentary about getting into the film industry.

MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

- In partnership with Beatfreaks **MAC** presented The Social Exchange 2017 attracting 150 young people to a dynamic festival of youth culture and social action. It showcased unique performances, master classes, debates and art and offered peer to peer opportunities for young people aged 13+. The Social Exchange 2017: Utopia/Dystopia offered a spotlight on the present and future, and asked young people to engage actively in their communities.
- BE Festival, as part of the Next Gen programme, supported 26 young people from across Birmingham who don't speak English as a first language. The participants worked collaboratively with dance practitioners Tom Dale Dance to learn new skills.

Communications and Digital Engagement

With a footfall in the centre of 1.13 million visits per year, a highly active social media following on Twitter and Facebook, consistently developing sales via our website and a very high pick-up rate for print, **MAC** continues to develop awareness of its presence and its offer with participants and audiences.

Box Office Statistics

- No of Events 2,565
- Total Bookers 25,447
- Total Tickets 105,803
- Average Party Size 2.35
- Total Income from Ticket Sales £1,366,539
- Average Ticket Yield £13.89
- Frequency of ticketed attend increased to 4.16, a 5% increase on the previous year.

Attendance Capacities

- Cinema 25% (-2%)
- Performances 55% (-5%)
- Learning and Participation 61% (+1%)
- Main Gallery Attendance 50,279 (+10%)

Audience Demographics

- 61% of our ticketed audience are from Birmingham, Solihull 8%, Sandwell 5%, Dudley 4%, Bromsgrove 3%, Walsall 2% and other 17%
- 28% BAME attendance – doubled since last survey
- 1 in 5 from low engagement backgrounds
- **MAC** average ticket yield is £13.89 compared to West Midlands average of £29.82 making us far more affordable
- Audiences who describe themselves as disabled up to 14% from 8%
- 19% attendance from Children & Young People, 40% Over 65

Press, Digital and Fundraising (Individuals)

- PR Value of Press and Media coverage £2,265,793
- 57% of transactions online
- 34% of transactions include a donation
- Average monthly unique visitors to website 47,996
- Followers on Facebook 16,196 and Twitter 81,100

MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

Audience Development

MAC is passionate about engaging with as many people as possible and to connect with those residents who live in challenging circumstances. Far more than an arts centre – **MAC** extends creative initiatives beyond the venue to a diverse range of groups and collectives. Over 2017 we worked extensively with two important issues – elder isolation and mental health – only by working across agencies and external charities were we able to produce effective and successful outcomes.

Griot Project

Throughout 2017 and 2018 we worked extensively with about 150 elders from the Caribbean communities from across Aston, Lozells, Birchfield, Perry Barr, Newtown, Nechells, Ladywood, Great Barr and Kingstanding – to create a lively programme of high quality arts activities in community settings. The project aimed to break down isolation, improve wellbeing and bring people together through stories using spoken word, music, dance and visual arts. This year-long programme brought together artists from the Black Arts Forum with local community partners. To accompany this outreach work we also devised specialist theatre, exhibition and film screenings such as Black Britain on Film – inviting participating members to special events. This then led to participants continuing their involvement to **MAC**'s popular Beyond Windrush season.

Bedlam – Arts and Mental Health Festival

Broadcast by Sarah Taylor Silverwood

MAC commissioned artist Sarah Taylor Silverwood to create a new partnership with mental health service users. Broadcast related to the wider themes of advertising, language and signs. Sarah worked closely with participants who have lived experience of mental health through workshops at **MAC** and at Ardeleigh (women's) and Raeside (men's) secure mental health units involving several of **MAC**'s tutors to develop visual art techniques and creative writing. The final commission was presented in October during the Bedlam Festival in **MAC**'s Community Gallery and throughout the public spaces. Bedlam Festival is a consortia with **MAC**, Birmingham Rep, Sampad and Birmingham & Solihull Health Foundation Trust.

Commercial Trading

Our trading activities have seen significant development with the addition of more craft fairs, markets, gallery pop-up shops, an extended retail offer including **MAC** branded merchandise, as well as successful events sales, catering and bar services. Our trading arm has delivered substantially increased income to the parent charity over the year. Without this financial return to the parent company our charitable work would be severely restricted.

MIDLANDS ARTS CENTRE ACHIEVEMENTS AND PERFORMANCE

Equality, Diversity and Workforce

MAC is an organisation committed to driving diversity, with our mission to provide a gateway connecting people with the arts. Both in its provision of services and as an employer, **MAC** seeks not only to ensure equality of opportunity, but also to sustain a long term strategy to develop a greater understanding of the diversity of people that we live and work with in order to strengthen our programme, enhance our visitors' experience and enable staff to maximise their potential.

The Consultative Forum and regular staff meetings provide an effective means of consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests and assist in achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

We are committed to paying our staff fair wages and to observe nationally negotiated pay rates to which our staff salaries are linked. In addition:

- As a committed learning organisation we offer investment and progression routes for our own workforce and others by providing volunteering and placement opportunities;
- We placed students in a variety of roles including in studios with technicians and artist tutors, in Customer Services, Arts, Marketing, Catering and Administration departments;
- Through our Next Gen programme, and in partnership with a range of community partners supporting young people with their creative development, we develop leadership abilities, risk taking and resilience; and
- We organise a Disabled Access Day across the centre in partnership with a range of disability organisations.

Volunteers

MAC is very involved in the community and relies on voluntary help. We are pleased to offer a wide range of volunteering opportunities within the organisation and especially proud that our volunteering and shadowing opportunities are taken up by a significant number of people with personal experience of disability. During the year 61 volunteers assisted with supporting events, projects and performances both at **MAC** and through our community outreach activities. We wish to thank all our volunteers for their support and service and all the skills and enthusiasm they bring to the organisation.

In 2017/18 **MAC** established a new volunteering system with financial support from The Esmee Fairbairn Foundation that allowed for a specialist Volunteer Manager to work with greater reach across the City. We have created a specialist access strand which will work in the form of a 'buddy' system where a volunteer helps facilitate a visit to the theatre, cinema or workshop. The initial focus will be to work with people with disabilities and BAME groups. **MAC** also led on the volunteers involved in Birmingham Weekender. In addition we have held 'drop in sessions' to encourage a range of volunteering opportunities and from that training sessions are booked to cover customer service, health and safety and the details of the extensive programme.

MIDLANDS ARTS CENTRE FINANCIAL REVIEW

MAC's key financial objective is to ensure financial stability and continued solvency year on year so that it can pursue its artistic aims and objectives. For the financial period ended 31 March 2018 **MAC** recorded a surplus of £17,697 on its unrestricted general fund resulting in unrestricted general reserves carried forward of £619,163, a surplus on designated funds of £535,526 and a deficit of £786,398 on its pension fund, resulting in net unrestricted funds of £368,291. **MAC** has followed FRS 102 in preparing these financial statements and the statement of financial activities (SOFA), balance sheet and notes are set out from page 30 onwards.

- During the year our earned income represented 67% of total income;
- Core funding income from Arts Council England and Birmingham City Council (Service contract) amounted to 18% of total income;
- Grant income from trusts, foundations, corporate and individual giving comprised 16% of total income;
- Wages, including employed artists as tutors, were 47% of total expenditure; and
- Payment to freelance and contracted artists represented 18% of total expenditure; whilst costs of running the building were 10.2% of total costs.

MAC produced a new four-year Business Plan in October 2017. Progress is being monitored against this plan.

Principal funding sources

MAC generates income from its own sources - box office, fundraising, commercial trading income and other sundry sources including the revenue from touring its productions and exhibitions and fees paid for outreach projects and activities.

Arts Council of England

MAC is a National Portfolio Organisation (NPO) within the funding programmes of Arts Council England (ACE). 2017/18 was the last year of a three-year funding agreement and we have confirmation that we have been successful in securing continued investment with a new four-year funding agreement from 1 April 2018 to March 2022 based on a cash standstill.

Birmingham City Council

MAC has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council (BCC). BCC's budgets have been severely reduced. In 2015 the Council reduced its fee for services provided by **MAC** for the year commencing April 2016 by 26% and subsequently reduced this further by 70% for the year commencing April 2017. **MAC** has received a funding agreement from 01 April 2018 to 31 March 2019 based on a cash standstill.

Players of the People's Postcode Lottery

MAC has been a recipient of an annual award since 2014. The grant (received in calendar year) has seen a generous and welcome increase – Jan-Dec 2017 - £275,000; Jan-Dec 2018 - £350,000; Jan-Dec 2019 - £375,000 (pending application). The support of PPL is invaluable and their grant is allocated to artistic programme that engages social issues and community engagement.

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Fundraising

We continue to focus on fundraising from a variety of sources which is key to help sustain and develop our activities, especially for those with the least ability to pay, whether individuals or groups, and to support the work of emerging and early stage artists.

- We exceeded our fundraising target in 2017/18 with a total of £645,158 raised in the year;
- Our fundraising includes sums contributed through donations from individuals, trusts and foundations;
- An Award of £350,000 was received from the People's Postcode Lottery;
- £29,970 of funding is attributed to support from individuals through interactive collection boxes in the building, donations at the point of sale on web/counter/phone; and
- Discussions are underway with a number of trusts in relation to potential new giving in 2018-19.

Investment Policy

In formulating an investment policy, **MAC** has recognised that whilst it may have surplus funds to invest, these are likely to be called upon in the short to medium term. The policy therefore is to hold investments in liquid funds so they are available to meet predicted cash-flow needs. In selecting suitable cash deposits the policy is to maximise the return and maintain low transaction costs, whilst ensuring high levels of capital security by minimising credit risk and minimising interest rate risk. Deposits and interest rates are reviewed regularly by the Finance and Governance Sub-Committee. The policy is reviewed on an annual basis.

Reserves Policy and Going Concern

The reserves of the charity have been divided into Restricted funds and General funds in accordance with charity legislation.

The Restricted fund represents money given to **MAC** for specific capital and project work within the overall aims of the organisation. The funds are analysed between capital and project, as set out in notes 15 and 16 to the accounts. Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds over their lifetime. Project funds will usually be spent in full in the next 5 years. The balance on the long-term capital funds represents funds received from donors towards the **MAC/Sampad Building Project** and for the purchase of fixed assets, less the depreciation charged on an annual basis. Over time these reserves will reduce to zero as the assets are fully depreciated.

The balance on restricted funds as at 31 March 2018 of £2,982,892 includes a balance of £2,413,070 in respect of the capital redevelopment project and £569,822 grants and donations received in respect of specific arts projects. These grants and donations include sums from a range of supporters towards future commissions, productions, co-productions, exhibitions and events as part of **MAC's** longer range artistic programme.

The general unrestricted reserves figure of £368,291 including (£786,398) pension liability, £469,163 general funds and £685,526 of designated funds, has been reviewed by the Trustees and they have determined, on the basis of detailed business and financial planning and cashflow projections through to 2019, that this is below the level required to maintain financial stability on an on-going basis, especially in light of an anticipated call on reserves to balance annual budgets and facilitate cashflow. More especially now, in the light of known

MIDLANDS ARTS CENTRE FINANCIAL REVIEW

and potential reductions in public investments over the next few years, it is felt that the level of reserves should be increased and therefore the strategic plan 2019-2022 aims to realise modest surpluses to rebuild reserves. The Trustees also judge that a reasonable provision should be allowed for repairs and maintenance of company's assets, any unforeseen legal or redundancy costs. It is also recognised that the economic environment continues to carry risks around ticket and other sales receipts as well as to its catering and other trading profits.

Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £685,526 (2017: £535,526) to support strategic development, repairs and maintenance of the building and long-term sustainability.

Without the continuing support of Arts Council England, People's Postcode Lottery and Birmingham City Council it would be challenging for the Trust to continue operating. In addition the Trustees are looking for opportunities to build **MAC's** economic resilience in the light of declining public investment prospects and maximise the potential on the existing site at Cannon Hill Park to enable a programme of creative learning, artist development and commercial hire activities.

Our consolidated balance sheet remains strong with net current assets of £1,363,710. The Trustees have reviewed the circumstances of **MAC** and **MAC** Trading and consider that adequate resources continue to be available to fund the activities of the Trust and group for the foreseeable future. The Trustees are of the view that Trust and group are a going concern.

MAC proactively manages cash flow; for much of **MAC's** income it is paid in advance or on the day; much of our operating cost is spread evenly across the year apart from payment for capital projects.

Principal Risks and Challenges

We are committed to sustaining a confident and skilled organisation and providing the best possible creative environment in which to develop our work at **MAC**, in communities and increasingly on line. Our planning acknowledges the importance of investing in high-quality artistic delivery, people and infrastructure to bring the best work to the widest audience. We regularly monitor risks to enable the successful delivery of our artistic programme and use a range of self-assessment tools, external evaluation and peer review to help us ensure our work reaches our own high standards, supporting excellence whilst ensuring the widest possible participation and engagement.

The Board has reviewed and assessed the risks to which we may be exposed. A risk register identifies those risks and assigns specific actions and responsibilities for mitigating them. The risk management process is ongoing, and is regularly updated by the Senior Management Team and reviewed by the Board. The Board maintains a watchful eye on financial, reputational and operational risks, efficiency, streamlining operations, processes and practices, to achieve the best and fairest use of our financial and human resources. During the year our business model planning looked at the likelihood of continued reduction in public investment and increasing emphasis on fundraising and diversification of other income streams. The business planning activities are enabling the Senior Management team and Board to make informed business decisions while understanding the risks and opportunities for the organisation and how this might affect **MAC's** future plans.

MIDLANDS ARTS CENTRE FINANCIAL REVIEW

The Finance and Governance Committee meets at least six times a year and reports to the full Board.

The Finance and Governance Committee reviews the effectiveness of all internal controls, including financial, operational and compliance controls and risk management systems. The internal systems are designed to meet the Company's particular needs and the risks to which we are exposed, to manage those risks and to provide reasonable assurance that mitigation plans are realistic and likely to be effective. The Committee also reviews and advises the Board on established regular procedures, including budgetary controls, and monitors the receipt of income for both revenue and capital expenditure.

MIDLANDS ARTS CENTRE FINANCIAL REVIEW

The high level risks and management strategy as at 31 March 2018 were:

FINANCIAL		
1	Loss of key staff and experience has negative impact on accuracy and timeliness of financial information	Regularly review staff structures and carefully plan any changes.
2	Challenge to the current business model and long term sustainability to deliver social as well as artistic mission if the gap between public funding and commercial income cannot be met.	Increase commercial income and fundraising. Developing new income streams with BCC and get contract in place for an agreed level of funds from charging in car park year on year and model other forward scenarios.
3	National Stakeholders subject to external pressures resulting in low or no funding/investment in mac.	Remain alert to Govt and BCC briefings, constantly review and implement advocacy strategy and activities within Culture Central. Review business plans and budget forecasts to respond to latest intelligence on funding scenario.
4	Price increases in food and drink due to market changes to maintain GP resulting in decrease in custom and fall in income.	Strong Procurement Strategy and use range of suppliers to get the best deals.
5	Proposed new hotel and catering outlets on the Calthorpe site presenting competition for hired space and reduction in income.	Maintain a close relationship during the build which may impact on the car park and look at partnership potential once the hotel is in situ. Ensure mac's catering offer is unique and competitive.
LEADERSHIP AND GOVERNANCE		
6	Insufficient Safeguarding measures: Operational, financial and reputational risks to business if fail to have appropriate and effective safeguarding policy, procedures and constant monitoring in place.	Ensure appropriate professional advice is used wherever necessary; regularly review policies and check procedures: SMT to receive reports on any issues arising; build in robust challenges to our own systems.
ARTISTIC		
7	Lack of control of the programme through poor contractual arrangements and protection of intellectual property leading to missed business opportunities.	Develop strong contracting system with all external partners and include branding of work with partnership agreements. All relevant contracts signed prior to event happening.
COMMS / PR		
8	Changing channels of communication; lack of resource to keep up; effort to keep control.	Collaboration with other networks and development agencies to keep on top of industry changes.
AUDIENCES		
9	Post- implementation of parking charges, lack of affordable parking capacity leading to adverse customer experience and decrease in visitor numbers. Negative impact on reputation, activities and direct and ancillary income.	Continue to liaise with local partners and stakeholders to address parking issues and work with BCC on communications regarding charges and income generation opportunity.
TECHNOLOGY		
10	Reliance on "systems" / risk of technological obsolescence leading to incidents and problems impacting on the company's ability to function efficiently and access IT resources/systems.	Maintain current supported systems, ensure back up and restoration procedures and policies are in place. Ensure It is prioritised as part of the 5 year replacement and renewal plan. Avoid technological obsolescence and end of life situations. Proactively ensure systems are in place to monitor risks daily and ensure the IT support company is suitable.
11	Cyber-attack and Technology crime endangers security of company information, disrupts day to day business, leading to financial losses, data breach or reputational damage.	Key policies embedded at induction and training throughout relevant teams. Ensure key data is encrypted. Guidance sought from external bodies e.g. ICO re data protection; working with specialist company to review our current security and ensure we are up to date with the latest technology and best practice. Cyber defence systems, monitoring and spam filtering in place.
BUILDING, OPERATIONS AND ENVIRONMENT		
12	Security issues including increase in begging and anti-social behaviour in the park and car park, leading to loss of reputation as a safe place to visit, staff intimidation and customers compromised.	Continue to work closely with the police, park management and other local stakeholders. Log all incidents to review on site security and staff support on a regular basis and taking appropriate measures to ensure personal safety.
13	Increased level of external activity in the surrounding area presenting competition and car parking capacity issues.	Maintain close communication with all relevant stakeholders. mac leads a quarterly meeting for all concerned and look at partnerships and impact of other activities. Communicate with customers when large scale events are identified.

MIDLANDS ARTS CENTRE FINANCIAL REVIEW

Our Pricing Policy

Our pricing policy reflects our strategy of enabling all within our community, whatever their means, to take part in our activities - to participate in learning activities and attend our events. Our exhibitions offer an opportunity for the public to view, free of charge, new works created by contemporary artists, works on loan from major collections and to see the work of leading artists of our day and to gain experience of ground-breaking art.

Full ticket prices to our live events and cinema and live event screenings vary between £3.50 and £20. Concessionary rates are available for most things and are always priced with a minimum 10% reduction for those entitled to concessions. Tickets for learning programmes at **MAC** vary enormously from £4 for individual events to £220 for a full week holiday course. Concessions are available on all courses and a range of free to access learning activities for children, families and young people are presented regularly in our public spaces along with free performances and events. We fundraise to help make our activities affordable and within the reach of those most in need.

To view our programme, and for fuller details of ticket prices and discount terms and conditions, or to book online, visit our website www.macbirmingham.co.uk, email our enquiry team at: info@macbirmingham.co.uk or telephone our booking office 0121 446 3232 or visit our booking office, open 9am until 9pm every day.

MIDLANDS ARTS CENTRE PLANS FOR FUTURE PERIODS

Future Plans

To secure the future sustainability of the organisation and to build on significant successes within the business, the Board has developed a longer range updated business plan for 2018-22. This aims to facilitate the growing demand for our work – especially for learning and participation activities - and to critically develop further **MAC**'s commercial endeavours.

MAC has increasingly relied on Events Hire as an important source of earned income, promoting the distinction of our artistic programme and venue as a unique setting. We will continue to maximise creative, social and income generation opportunities throughout the premises with greater emphasis on pursuing cross-departmental opportunities with ticket sales and evening catering. **MAC** catering is proving to be a significant source of regular income of turnover annually. This is expected to increase with huge potential to increase our catering services by extended onsite and offsite opportunities.

MAC fundraising has continued to attract significant success, enabling valuable parts of our activity to offer access to those most in need. A wide range of new collaborators nationally and internationally are essential to our artistic credibility and sustainability. Going forward **MAC** is a member of three international consortiums that plan to expand and celebrate artistic exchanges across Bangalore, Pakistan and Africa – with funding already secured to ensure that new voices and diverse experiences are represented at **MAC**. This artistic confidence and collaboration also extends to our continued partnership with Youth Music with a new four-year funding agreement that sees us extend our inclusive community music programme with the award winning **MAC Makes Music**.

Essential to the growth of **MAC** is our continued commitment to capital development. We have recently invested in a feasibility study of the venue, to identify a series of capital changes that would generate additional earned income in the areas of catering, events hire and learning and participation activities. Changes include extending and improving artist studios, café refurbishment and broadening digital capacity to extend beyond **MAC**. We are currently submitting a range of applications to stakeholders.

Board recruitment remains critical, to ensure that we have an effective, diverse, knowledgeable and committed team of Trustees in place to support **MAC**'s sustainability.

MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

Charity Name	Midlands Arts Centre	
Charity Registration Number	528979	
Company Registration Number	00718349	
Registered Office	Cannon Hill Park Birmingham B12 9QH	
Bankers	HSBC Plc 130 New Street Birmingham B2 4JU	Shawbrook Bank Ltd Lutea House Warley Hill Bus. Park The Drive, Great Warley Brentwood Essex CM13 3BE
Auditors	PKF Cooper Parry Group Limited Statutory Auditors Park View One Central Boulevard Blythe Valley Business Park Solihull B90 8BG	

STRUCTURE, GOVERNANCE AND MANAGEMENT

During the year under review, the following individuals served on the Board of Directors:

Cllr Matt Bennett	Junaid Bhatti
Stephanie Dale	Owen Dutton
Emrys Jones	Sharon Lea
Mary Martin (Vice Chair)	Greg Lowson (Vice Chair)
Louise McCathie	Sara Meyer
Linda Saunders	Sue Scholes
Cllr Martin Straker-Welds	Mike Williams
Jonnie Turpie (Chair)	

Greg Lowson, Mike Williams and Emrys Jones will retire by rotation and, being eligible, Greg Lowson and Mike Williams will offer themselves for re-election at the forthcoming AGM.

MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

Governing document

Midlands Arts Centre (trading as **MAC**) is a company limited by guarantee and a registered charity. It was established on 19 March 1962 (Certificate of Incorporation on Change of Name; 5 December 1990) and its Articles of Association amended to allow for current governance arrangements on 18 November 1992 (11 to 12 Board members); on 15 November 1995 (2 to 3 Birmingham City Council nominated Board members) and on 25 September 2014 (12 to 15 Board members).

The company's object is the promotion of, education in and appreciation of the arts. This primary charitable object is set out in its governing instrument which is its Memorandum and Articles of Association. The company's Mission is to promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives. **MAC's** principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others; and
- participate in, and undertake, their own arts activities.

The governing body is the Board whose members are non-executive and unpaid. The Board meets regularly, retains full and effective control over the company and monitors the Executive (see below). The Board is involved in major strategic decisions and has ultimate responsibility for the conduct and financial stability of the arts centre. It seeks to support the Executive in a culture of mutual confidence and trust.

Recruitment and appointment to the Board of Directors

As set out in the Articles of Association the number of members of the Board (other than those nominated by Birmingham City Council) as specified in article 31 of the Articles of Association is no less than 4 and not more than 15. Birmingham City Council may appoint up to three members of the Board. The Chair and Vice-Chair are elected by the Board from amongst their number. Nominees appointed by Birmingham City Council are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to Local Government nominees. Board members at the date of this Report are listed above as all Board members who served during the year under review.

Board induction and training

The Chair or Vice Chair, together with the CEO, meet with newly appointed Board members to brief them on: their role and responsibilities as a trustee as outlined the Terms of Reference; their legal obligations under charity and company law; Charity Commission guidance on public benefit; review the content of the Memorandum and Articles of Association, committee and decision-making processes, current business plans and recent financial performance of the charity. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

Key documentation is provided in Board inductions including, the current Business Plan and budget, the Mission Statement and artistic, educational, equal opportunities policies, the Memorandum and Articles of Association, the latest annual report and audited accounts and previous Board papers, to give Board members a full understanding of the organisation. The Head of Governance and HR ensures Board members are aware of policies relevant to them and that they complete relevant paperwork, such as their declaration of interests and personal data for monitoring purposes. Board and staff structures are provided including the membership and role of sub-committees, practical information on communications, procedures and timings of meetings.

The Chair meets with all Board members individually for an annual appraisal. The annual Board Away Day provides development opportunities for the Board and identifies further development needs in order for relevant training to be scheduled.

Organisational structure

The Board of Directors (the Trustees) meets on a regular basis. The Directors delegate the day to day running of the company to the Artistic Director/Chief Executive (CEO) who is assisted by a Senior Management Team.

During the year they were:

Deborah Kermode Chief Executive and Artistic Director

Michelle Smith: Strategic Operations Director

Hinal Shah: Head of Finance

Lindsey Cook: Head of Sales and Marketing

Claire Marshall: Creative and Partnerships Director (up to 20 October 2017)

Sue Longfils: Head of Governance and Strategic HR

The Board delegates to the CEO full control over the selection and production of all programmes and events presented at, and under the auspices of, **MAC**. The CEO and the other members of the Senior Management Team generally attend meetings of the Board. The Board appoints members of the Senior Management Team and determines their contracts of employment. The Board monitors the performance of the Senior Management Team and reviews the quality, effectiveness and timeliness of information provided to the Board by the Executive.

The Board has established a Finance and Governance Sub-Committee which reviews the financial performance of the company and plays a full part in strategic business planning. Financial Regulations have been established and approved by the Board of **MAC**. They are intended to set out the working arrangements by which the Board gives effect to its statutory financial responsibilities, and to its management powers as defined in paragraphs 41 to 43 of the Articles of Association adopted by Special Resolution on 25 September 2014. Further, they provide details of powers delegated to the CEO and managers of the company by the Board in accordance with paragraphs 55 to 56 of these Articles of Association, and to its responsibilities under paragraphs 59 to 62 of these Articles of Association relating to Accounts and Audit.

MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

The CEO is responsible to the Board for the proper administration of the company's financial affairs. The CEO may delegate to the Head of Finance responsibility for systems, day-to-day accounting and preparation of regular management accounts and budgets.

Related parties

MAC is formally a member of the following organisations, with which it co-operates in the pursuit of its charitable objectives:

- Arts and Business
- Arts Marketing Association
- Birmingham Chamber of Commerce and Industry
- BFI SWWM Film Hub
- Cinema Exhibitors Association
- Culture Central
- ENGAGE
- Future Arts Centres
- Independent Theatre Council
- Marketing Birmingham
- The Stage Media Company
- Touring Exhibition Group
- UK Theatre
- Visita Group – Heart of England

The charity's wholly owned subsidiary, Midlands Arts Centre Trading Limited, was established to manage the commercial bar and catering operation and hiring out space and facilities at **MAC**.

In its work **MAC** collaborates with a wide range of artistic and community partners.

Pay policy for senior staff

The directors consider the senior management team, comprising the key management personnel of the charity, to be in charge of directing and controlling, running and operating the charity on a day to day basis.

The recruitment of the Chief Executive is conducted by the Chair and a panel of Board members. The appointment of members of the senior management team is conducted by the CEO and a Board member. All **MAC** staff pay levels are referenced to points on the scale used by the National Joint Council for Local Government Services, used by many public and third sector organisations.

Pay awards are negotiated nationally by the relevant Unions with Local Authorities employer representatives. **MAC** implements any salary increases thus negotiated.

MIDLANDS ARTS CENTRE REFERENCE AND ADMINISTRATIVE INFORMATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who are also Trustees of Midlands Arts Centre for the purpose of Charity Law) are responsible for preparing the Annual Report, including the Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate and proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD

E J Turpie - MBE
Chair

S Longfils
Secretary

27 September 2018



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE

Opinion

We have audited the financial statements of Midlands Arts Centre ("the company") and its subsidiary ("the group") for the year ended 31 March 2018 which comprise the Group Statement of Financial Activities, the Group and Parent Company Balance Sheets, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Charities SORP 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable group's and company's affairs as at 31 March 2018, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE (CONTINUED)

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Report of the Trustees, other than the financial statements and our audit report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIDLANDS ARTS CENTRE (CONTINUED)

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

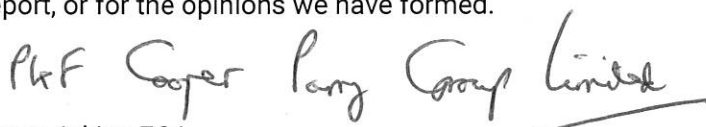
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements .

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our audit report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Atkins FCA
Senior Statutory Auditor for and on behalf of:
PKF Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
One Central Boulevard
Park View
Blythe Valley Park
Solihull
West Midlands B90 8BG

Date: 22/09/18

**MIDLANDS ARTS CENTRE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including consolidated Income and Expenditure Account)
for the year ended 31 March 2018**

	Notes	Unrestricted funds £	Restricted building project £	Other restricted projects £	2018 Total £	2017 Total £
INCOME						
<i>Donations and legacies</i>	2	388,329	-	-	388,329	307,576
<i>Income from charitable activities</i>						
Grants, donations and other income	3	884,891	-	354,588	1,239,479	1,433,867
Arts activities	4	1,308,933	-	-	1,308,933	1,157,376
<i>Income from other trading activities</i>						
Commercial trading operations	5	1,722,555	-	-	1,722,555	1,807,587
Office lettings, hire and recharges		203,879	-	-	203,879	103,848
<i>Investment income</i>	2	19,761	-	-	19,761	10,454
Total income		4,528,348	-	354,588	4,882,936	4,820,708
EXPENDITURE						
Expenditure of raising funds						
Commercial trading operations	6	1,132,183	-	-	1,132,183	1,117,305
Expenditure on charitable activities						
Arts activities	6	3,279,312	-	318,236	3,597,548	3,456,219
Total expenditure		4,411,495	-	318,236	4,729,731	4,573,524
Net income for the year		116,853	-	36,352	153,205	247,184
Transfers between funds		-	-	-	-	-
Net movement in funds for the year		116,853	-	36,352	153,205	247,184
Reconciliation of funds						
Total Fund brought forward		251,438	2,413,070	533,470	3,197,978	2,950,794
Total funds carried forward		368,291	2,413,070	569,822	3,351,183	3,197,978

All activities of the Group are continuing and there is no difference between the reported result for the year stated above and that on a historical cost basis.

The Group has no recognised gains and losses other than those included in the Consolidated Statement of Financial Activities.

The notes on pages 30 to 46 form part of these financial statements.

MIDLANDS ARTS CENTRE (Company No. 00718349)
BALANCE SHEETS
as at 31 March 2018

	Notes	Consolidated		Company	
		2018 £	2017 £	2018 £	2017 £
FIXED ASSETS					
Tangible fixed assets	9	2,680,487	2,596,021	2,680,487	2,596,021
Investment in subsidiary undertaking	10	-	-	100	100
Total Fixed Assets		<u>2,680,487</u>	<u>2,596,021</u>	<u>2,680,587</u>	<u>2,596,121</u>
CURRENT ASSETS					
Stocks	11	29,314	29,858	-	-
Debtors	12	300,080	222,493	425,800	493,111
Cash at bank and in hand:					
- unrestricted		1,268,868	1,445,264	1,085,686	1,123,386
- restricted – projects		569,822	533,470	569,822	533,470
- restricted – capital (lease)		2,413,070	2,413,070	2,413,070	2,413,070
Total Current Assets		<u>4,581,154</u>	<u>4,644,155</u>	<u>4,494,378</u>	<u>4,563,036</u>
LIABILITIES					
Creditors falling due within one year	13	(3,217,444)	(3,250,027)	(3,130,768)	(3,169,009)
NET CURRENT ASSETS		<u>1,363,710</u>	<u>1,394,127</u>	<u>1,363,610</u>	<u>1,394,027</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,044,197</u>	<u>3,990,148</u>	<u>4,044,197</u>	<u>3,990,148</u>
Pension liability	23	(693,014)	(792,170)	(693,014)	(792,170)
NET ASSETS		<u>3,351,183</u>	<u>3,197,978</u>	<u>3,351,183</u>	<u>3,197,978</u>
Represented by:					
RESTRICTED FUNDS	15 & 16	2,982,892	2,946,540	2,982,892	2,946,540
UNRESTRICTED FUNDS					
General Funds	17	469,163	601,466	469,163	601,466
Designated Funds	17	685,526	535,526	685,526	535,526
Pension reserve	17	(786,398)	(885,554)	(786,398)	(885,554)
		<u>3,351,183</u>	<u>3,197,978</u>	<u>3,351,183</u>	<u>3,197,978</u>

The notes on page 30 to 46 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 September 2018 and signed on its behalf by :



E J Turpie MBE - Chair

**MIDLANDS ARTS CENTRE
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2018**

	Notes	2018 £	2017 £
Reconciliation of net incoming resources to net cash flow from operating activities			
Net incoming resources		153,205	247,184
Depreciation charges	9	55,146	52,348
Net interest	2	(19,761)	(10,454)
(Increase)/Decrease in stocks	11	544	(4,479)
(Increase)/Decrease in debtors	12	(77,587)	121,988
(Decrease)/Increase in creditors	13	(131,740)	207,830
		<hr/>	<hr/>
Net cash inflow from operating activities		<u>(20,193)</u>	<u>614,418</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		(20,193)	614,418
Returns on investments and servicing of finance	(a)	19,761	10,454
Capital expenditure	9	(139,612)	(103,441)
Increase in cash	(b)	<u>(140,044)</u>	<u>521,431</u>

The notes on pages 30 to 46 form part of these financial statements.

MIDLANDS ARTS CENTRE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2018

(a)	<u>Returns on investment and servicing of finance</u>	2018	2017
		£	£
	Interest received	19,761	10,454
		<hr/>	<hr/>
(b)	<u>Increase in cash</u>	2018	2017
		£	£
	Balance at beginning of period	4,391,804	3,870,373
	Net cash inflow (note c)	(140,044)	521,431
	Balance at end of period	<u>4,251,760</u>	<u>4,391,804</u>
(c)	<u>Reconciliation of net cash flow to movements in net funds</u>		£
	Increase in cash during year being change in net funds		(140,044)
	Net funds at 1 April 2017		<u>4,391,804</u>
	Net funds at 31 March 2018		<u>4,251,760</u>
(d)	<u>Analysis of changes in net funds</u>	At 1 April	Cash
		2017	flows
		£	£
	Cash at bank	<u>4,391,804</u>	(140,044)
			<u>4,251,760</u>

MIDLANDS ARTS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a Basis of preparation

Midlands Arts Centre meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

b Basis of Consolidation

The consolidated financial statements consolidate the results of the parent company and of the subsidiary on a line by line basis. A separate Statement of Financial Activities and income and expenditure account for the charitable company itself are not presented because advantage has been taken of the exemptions afforded by section 408 of the Companies Act 2006.

c Income

Income from arts activities is included in incoming resources in the period in which the relevant activity takes place. Income is deferred when admission fees are received in advance of the performances or events to which they relate.

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Income from commercial trading operations is recognised as earned.

Investment income is included in the financial statements as and when receivable and the amounts shown include taxation recoverable thereon, where applicable.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

d Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the Trustees have decided at their discretion to set aside to use for a specific purpose.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific artistic projects being undertaken by the Trust.

e Donated services

Where services are provided to the charity as a donation that would normally be purchased from suppliers, this contribution is included as an estimate based on the value of the contribution to the charity.

f Expenditure and irrecoverable VAT

Expenditure is included in the Consolidated Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of commercial trading including the café, bar, room hires and their associated support costs.
- Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

All costs are allocated between the expenditure categories of the Consolidated Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

g Depreciation and impairment

Buildings

Historically, amortisation has been provided on leasehold buildings with effect from 2 April 1984 to write off the expenditure over the remaining period of the lease. However, as the lease is due to be surrendered on practical completion of the new building project it has been fully impaired.

Short-term leasehold improvements and fixtures, fittings and equipment

Depreciation is being provided on short-term leasehold improvements and fixtures, fittings and equipment other than computers in equal annual instalments over their estimated working life of between 3 to 25 years.

Computers

Depreciation on computers is being provided in equal instalments over an estimated working life of 3 years.

Impairment

All long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such circumstances the charitable group estimates the future cash flows expected to result from the use of the asset and its disposal and where those are less than the carrying amount an impairment loss is recognised.

h Capital grants

Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds.

i Stock

Stock is valued at the lower of cost and estimated realisable value.

j Lease rentals

Rentals on operating leases are charged in the revenue account as incurred.

k Pre-production costs

Any costs which are not able to be recycled or resold are written off and are not carried forward to match against production income.

**MIDLANDS ARTS CENTRE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018**

l Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

m Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

n Pension costs

To meet the requirements of auto-enrolment of staff into a pension scheme, the company offers the NEST pension scheme.

Previous pension schemes available to staff are now closed.

o Going concern

These accounts have been prepared on a going concern basis.

The Directors and Trustees have considered the charitable company's business planning in the context of known resources and have reviewed the operating basis of the group's operations. A formal business plan for the period to 2019 has been prepared.

Midlands Arts Centre is dependent upon the continuing financial investment of Birmingham City Council and Arts Council England.

As detailed in the Report of the Directors and Trustees, Arts Council England has confirmed funding through until 31 March 2022 and Birmingham City Council has confirmed funding though until 31 March 2019.

The Trustees have prepared detailed revenue and cashflow forecasts for the coming year and having considered the results of these forecasts, together with the commitment from Birmingham City Council and Arts Council England, are satisfied that the charitable company remains a going concern.

2. INCOME FROM DONATIONS AND LEGACIES

	2018	2017
	£	£
Grants, Donations and other income - unrestricted		
People's Postcode Lottery	350,000	275,000
Pinsent Masons pro-bono fees	8,359	2,611
Fund raising and gift aid donations	29,970	29,965
	<u>388,329</u>	<u>307,576</u>
Investment Income		
Unrestricted	19,761	10,454
Restricted	-	-
	<u>19,761</u>	<u>10,454</u>

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2018	2017
	£	£
Grants, Donations and other income - unrestricted		
Arts Council England	739,146	739,146
Birmingham City Council - Service level agreement	120,000	400,000
Other Income	25,745	21,275
	<u>884,891</u>	<u>1,160,421</u>

Grants, Donations and other income - restricted

	2018	2017
	£	£
General Projects		
Birmingham City Council	49,040	-
National Foundation for Youth Music	146,326	148,001
Roughley Trust	10,000	8,212
Saintbury Trust	30,000	40,000
Headley Trust	-	30,000
Feeney Trust	6,000	-
Garfield Western Foundation	25,000	-
Esmee Fairbairn Foundation	33,834	-
Birmingham Mental Health	12,000	-
Other Projects	42,388	47,232
	<u>354,588</u>	<u>273,445</u>

4. INCOME FROM ARTS ACTIVITIES

	2018	2017
	£	£
Cinema	285,537	276,744
Learning and Participation	528,630	477,410
Visual Arts	20,400	47,777
Next Generation	-	19,291
Productions and Performances	412,482	336,154
Other Income	61,884	-
	<u>1,308,933</u>	<u>1,157,376</u>

Income generated from Arts Activities for 2018 and 2017 all relates to unrestricted funds.

5. INCOME EARNED FROM TRADING OPERATIONS

The charitable company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services, event sales, venue hires and retail activities. During the year, Midlands Arts Centre Trading Limited made sales of £20,587 (2017: £18,539) to the parent company.

	2018	2017
	£	£
Turnover	1,743,142	1,826,126
Cost of sales	<u>(429,385)</u>	<u>(438,682)</u>
Gross profit	1,313,757	1,387,444
Staff costs	(557,626)	(540,499)
Other operating costs	(145,172)	(138,125)
Transactions with parent company:		
Facility fee payable	(199,000)	(198,000)
Technical and customer services support recharged	(43,373)	(65,809)
Room rental payable	(185,693)	(196,617)
Licence fees payable	(2,200)	(2,200)
Covenanted profit transferred under gift aid	<u>(180,693)</u>	<u>(246,195)</u>
Operating profit	-	-
Tax on profit on ordinary activities	-	-
Retained in subsidiary	<u>-</u>	<u>-</u>
The assets and liabilities of the subsidiary at 31 March were:		
Net current assets	<u>100</u>	<u>100</u>
Total net assets	<u>100</u>	<u>100</u>
Aggregate share capital and reserves	<u>100</u>	<u>100</u>

6. TOTAL EXPENDITURE

	Cinema	Learning and participation	Visual Arts	Performing Arts	Other Restricted Projects	Trading operations	2017/18 Total	2016/17 Total
	£	£	£	£	£	£	£	£
Costs directly allocated to activities								
Staff costs, travel and subsistence	120,528	530,318	241,054	313,370	64,314	520,607	1,790,191	1,684,712
Payments relating to artists	119,186	172,158	105,943	264,858	189,881	-	852,026	726,904
Materials and consumables	15,817	51,971	128,798	29,375	28,486	593,705	848,152	782,073
Communications	17,410	67,707	19,345	88,987	5,541	-	198,990	182,074
IT systems providing direct arts support	8,095	15,740	5,397	15,740	6,898	2,725	54,595	50,201
Administration	757	757	10,976	126	14,058	15,146	41,820	45,441
Total direct costs	281,793	838,651	511,513	712,456	309,178	1,132,183	3,785,774	3,471,405
Support costs allocated to activities								
Premises and services costs	-	-	-	-	9,058	-	9,058	5,873
Building running costs	62,506	187,519	72,123	158,670	-	-	480,818	476,831
HR and administration	10,696	32,087	12,341	27,151	-	-	82,275	84,002
IT & Finance	24,995	90,895	34,086	77,261	-	-	227,237	388,542
Governance	4,172	11,323	4,768	9,535	-	-	29,798	21,776
Operations and planning	11,477	45,908	17,216	40,170	-	-	114,771	125,095
Total support costs	113,846	367,732	140,534	312,787	9,058	-	943,957	1,102,119
Total costs - 2017-18	395,639	1,206,383	652,047	1,025,243	318,236	1,132,183	4,729,731	-
Total costs - 2016-17	395,247	1,216,521	627,179	1,036,243	181,029	1,117,305	-	4,573,524

Support costs have been allocated to activities on a percentage linked to direct costs.

£318,236 (2017: £181,029) of the above costs were attributable to restricted funds. £4,411,495 (2017: £4,392,495) of the above costs were attributable to unrestricted funds.

7. CHARITABLE EXPENDITURE

Expenditure includes:	2018	2017
	£	£
Auditors' remuneration		
- in respect of audit	10,575	10,004
- for specialist VAT advice (all holding company)	2,000	1,825
Depreciation – owned assets	<u>55,146</u>	<u>52,348</u>

8. STAFF COSTS

	2018	2017
	£	£
Wages and salaries	2,088,794	2,000,793
Social security costs	122,088	122,616
Pension costs	<u>18,821</u>	<u>27,902</u>
	<u>2,229,703</u>	<u>2,151,311</u>

Total redundancy amounts of £1,956 (2016 : Nil) were paid during the reporting year. Holiday accrual of £3530 (2017: Nil) is included in provisions.

The company contributes to the Pension Scheme for Administrative and Technical Staff in the Arts, which is a national scheme of the defined benefit type. The scheme is closed to new members. The company has also established a defined contribution scheme with NEST.

	2018	2017
	Number	Number
The number of employees whose remuneration fell within the band £60,000 to £69,999	<u>1</u>	<u>1</u>

Trustees' and key management personnel remuneration and expenses

Two trustees received reimbursed expenses of £29 during the year. (2017: £203)

The total amount of employee benefits received by key management personnel is £241,942 (2016: £237,880). Key management personnel are set out on page 21 of this report.

The average number of employees in the year was as follows:

	2018	2017
	Number	Number
Business and administration staff – Full time	24	31
Business and administration staff – Part time	60	61
Arts team – Full time	5	9
Arts team – Part time	87	79
Catering, bar and events staff	<u>36</u>	<u>33</u>
	<u>212</u>	<u>213</u>

9. TANGIBLE FIXED ASSETS

Consolidated and Company	Leasehold land and buildings £	Leasehold Improvements £	Fixtures and fittings £	Computers £	Total £
Cost					
At 1 April 2017	4,781,492	75,720	373,846	86,118	5,317,176
Additions	-	91,907	45,005	2,700	139,612
At 31 March 2018	4,781,492	167,627	418,851	88,818	5,456,788
Depreciation					
At 1 April 2017	2,368,422	31,530	246,264	74,939	2,721,155
Charge for year	-	8,587	41,314	5,245	55,146
At 31 March 2018	2,368,422	40,117	287,578	80,184	2,776,301
Net book values					
At 31 March 2018	2,413,070	127,510	131,273	8,634	2,680,487
At 31 March 2017	2,413,070	44,190	127,582	11,179	2,596,021

In 2012 and 2014 there were additions of £2,185,000 and £228,070 to leasehold land and buildings representing the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to **MAC** upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 21.

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

The company owns 100% of the issued share capital of Midlands Arts Centre Trading Limited, a company registered in England and Wales, and whose principal activity is the provision of catering services, event sales and hire. The results of the subsidiary undertaking are set out in note 5.

11. STOCK (Consolidated Only)

	2018 £	2017 £
Catering and bar stocks	18,920	17,129
Retail Stock	10,394	12,729
	<u>29,314</u>	<u>29,858</u>

12. DEBTORS

	Consolidated		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year				
Due from subsidiary undertaking	-	-	208,378	338,660
Other debtors	64,255	74,254	5,854	10,498
Prepayments	126,405	123,929	125,106	119,791
Accrued income	109,420	24,310	86,462	24,162
	<u>300,080</u>	<u>222,493</u>	<u>425,800</u>	<u>493,111</u>

13. CREDITORS

	Consolidated		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year				
Trade creditors	160,344	216,802	113,053	167,798
Taxation and social security	45,467	77,038	45,467	77,038
Other creditors	2,443,279	2,441,555	2,443,279	2,441,555
Accruals	261,335	114,998	256,120	109,989
Deferred income	213,634	306,251	179,465	279,245
Pension liability	93,384	93,384	93,384	93,384
	<u>3,217,444</u>	<u>3,250,027</u>	<u>3,130,768</u>	<u>3,169,009</u>

14. OPERATING LEASES

The total minimum lease payments due by the charitable company at 31 March 2018 in respect of non-cancellable operating leases are as follows:

	Consolidated		Company	
	Other operating leases		Other operating leases	
	2018	2017	2018	2017
Within one year	7,720	8,637	7,720	8,637
Within one and two years	2,130	6,969	2,130	6,969
Within two to five years	1,817	1,256	1,817	1,256
	<u>11,667</u>	<u>16,862</u>	<u>11,667</u>	<u>16,862</u>

15. RESTRICTED FUNDS (Charity and group)

	Capital Development £	Projects (note 15) £	Total £
At 1 April 2017	<u>2,413,070</u>	<u>533,470</u>	<u>2,946,540</u>
Incoming resources			
Incoming resources (note 3)	-	354,588	354,588
Total incoming resources	<u>-</u>	<u>354,588</u>	<u>354,588</u>
Resources expended			
Arts activities	-	(318,236)	(318,236)
	<u>-</u>	<u>(318,236)</u>	<u>(318,236)</u>
At 31 March 2018	<u>2,413,070</u>	<u>569,822</u>	<u>2,982,892</u>

16. ANALYSIS OF RESTRICTED PROJECT FUNDS (Charity and group)

	1 April 2017 £	Incoming resources £	Resources expended £	31 March 2018 £
National Foundation for Youth Music Youth music inclusion programme working with children and young people in challenging circumstances	32,358	146,326	(178,684)	-
Other Projects*	501,112	208,262	(139,552)	569,822
Total	<u>533,470</u>	<u>354,588</u>	<u>(318,236)</u>	<u>569,822</u>

* Includes sums from a range of supporters including Bryant, Roughley, Saintbury, Feeney, Garfield Western and William Cadbury towards commissions, productions, co-productions, exhibitions and events as part of **MACs'** longer range artistic programme.

17. UNRESTRICTED FUNDS (Charity and group)

	General Funds £	Designated Funds £	Pension Funds £	Total £
At 1 April 2017	601,466	535,526	(885,554)	251,438
Net incoming resources before transfers	17,697	-	99,156	116,853
Transfer of funds	(150,000)	150,000	-	-
At 31 March 2018	<u>469,163</u>	<u>685,526</u>	<u>(786,398)</u>	<u>368,291</u>

At the year end, the designated funds are allocated £685,526 (2017: £535,526).

- £300,000 (2017: £300,000) towards strategic development and sustainability;
- £135,526 (2017: £135,526) towards the support of new community and learning programmes;
- £250,000 (2017: 100,000) towards repairs, renewals and maintenance of the building.

In accordance with the requirements of FRS 102 **MAC** has recognised a pension liability of £786,398.

18. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 March 2018 are represented by:			
Fixed assets	267,417	2,413,070	2,680,487
Stock	29,314	-	29,314
Debtors	300,080	-	300,080
Cash at bank and in hand	1,268,868	2,982,892	4,251,760
Creditors	(804,374)	(2,413,070)	(3,217,444)
Provisions / Pensions	(693,014)	-	(693,014)
	<u>368,291</u>	<u>2,982,892</u>	<u>3,351,183</u>

The designated funds within unrestricted funds are represented by cash at bank.

19. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY

The financial activities shown in the consolidated statement of financial activities includes those of the company's wholly owned subsidiary.

A summary of the financial activities undertaken by the parent charitable company is set out below:

	2018 £	2017 £
Gross incoming resources	3,771,339	3,721,942
Total expenditure on charitable activities	(3,588,337)	(3,452,982)
Governance costs	(29,798)	(21,776)
Net incoming resources for the year	<u>153,205</u>	<u>247,184</u>
Total funds brought forward	<u>3,197,978</u>	<u>2,950,794</u>
Total funds carried forward	<u>3,351,183</u>	<u>3,197,978</u>
Represented by:		
Unrestricted funds	469,163	601,466
Designated funds	685,526	535,526
Restricted funds	2,982,892	2,946,540
Pension funds	(786,398)	(885,554)
	<u>3,351,183</u>	<u>3,197,978</u>

20. LEASE COMMITMENTS

The charitable company has a commitment to pay a peppercorn rent expiring after more than five years on the leasehold land and buildings at Cannon Hill Park.

21. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

MAC is committed to make a contribution towards the capital development project.

At the date of signing the accounts, an amount of £2,413,070 has been recognised in fixed assets as a capitalised lease premium with a corresponding creditor recorded in accruals.

The charitable company is the representative member of a VAT registration group with its subsidiary company. The parent and subsidiary are jointly and severally liable for any VAT due from the representative member.

22. TAX STATUS

As a charitable company, Midlands Arts Centre, is exempt from tax on income and gains falling within Sections 481-489 of the Corporation Taxes Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen within the charitable company. The trading subsidiary has no profits which are subject to taxation under the provisions of the Income and Corporation Taxes Act 2010.

23. PENSIONS

a) NEST Pension

The Company offers the NEST pension scheme to meet the requirements of auto-enrolment of staff into a pension scheme.

b) The Pension Scheme for Administration and Technical Staff in the Arts (PSATSA)

The company participates in the scheme, a multi-employer scheme which provides benefits to 7 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 31 March 2016. This valuation showed assets of £15.5m, liabilities of £23.7m and a deficit of £8.2m. To eliminate this

funding shortfall, the Scheme's professional Trustee has asked the participating employers to pay additional contributions to the scheme based on their calculated share of the shortfall. The contributions of **MAC** are as follows:

Deficit contributions

From 1 June 2017 to 31 May 2027: £93,384 per annum

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	2018	2017
	£	£
Present value of provision		
Pension liability due in a year	93,384	93,384
Pension liability due after a year	693,014	792,170
Present value of provision	786,398	885,554

Reconciliation of opening and closing provisions

	Period Ending 31 March 2018 £
Provision at start of period	885,554
Unwinding of the discount factor (interest expense)	(5,772)
Deficit contribution paid	(93,384)
Remeasurements - impact of any change in assumptions	-
Remeasurements - amendments to the contribution schedule	-
Provision at end of period	786,398

Statement of Financial Activities impact

	Period Ending 31 March 2018 £
Interest expense	(5,772)
Remeasurements - impact of any change in assumptions	-
Remeasurements - amendments to the contribution schedule	-
Contributions paid in respect of future service	-
Costs recognised in income and expenditure account	-

Assumptions

	31 March 2018	31 March 2017
	% per annum	% per annum
Rate of interest	1.7%	1.2%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

24. MEMBERS

The charity is incorporated as a company limited by guarantee and, in accordance with the Memorandum of Association of the company, every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves such amount as may be required, not exceeding one pound. The number of members at 31 March 2018 was 15 (2017: 15).

25. RELATED PARTY TRANSACTIONS

A number of the Trustees of Midlands Arts Centre have interests in organisations which have provided support and funding to the charity in the year. The Trustees have considered the disclosure requirements of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) and of Financial Reporting Standard 102, and consider that the transactions requiring disclosure are as follows:

Greg Lowson, Trustee, is Managing Partner of Pinsent Masons, a firm the charity uses for the provision of legal services. Pro-bono fees donated by Pinsent Masons are disclosed in note 2 to the accounts.

26. ULTIMATE CONTROLLING PARTY

MAC is controlled by its Board of Trustees.

