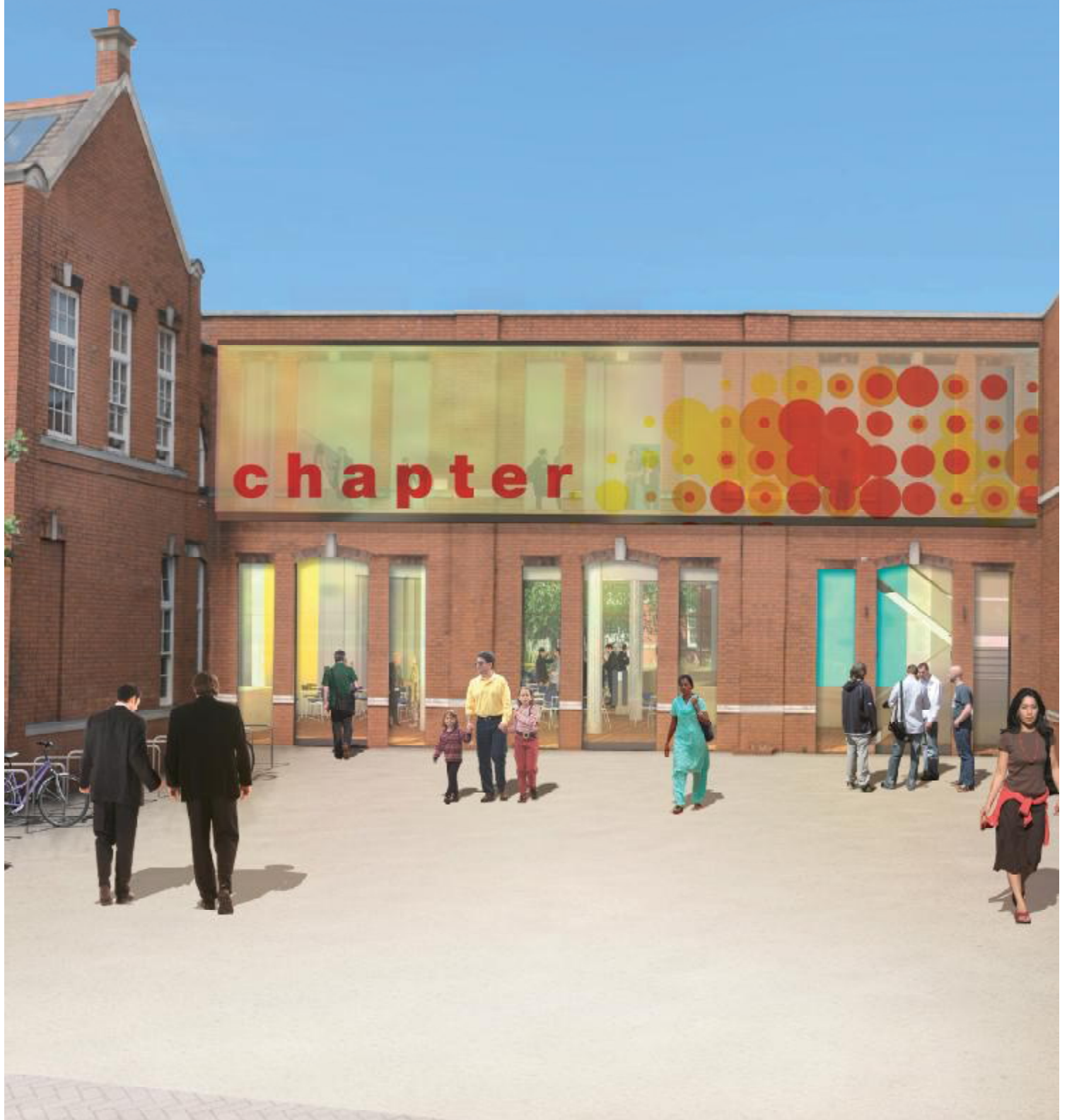


chapter annual report 2008

Chapter (Cardiff) Limited a registered charity and a company limited by guarantee.
Report of the Board of Trustees and consolidated financial statements for the year
ended 31st March 2008.

Registered number: 1005570 / Charity number: 500813



Chapter (Cardiff) Limited (a company limited by guarantee)

Report of the Board of Trustees and consolidated financial
statements for the year ended 31 March 2008

Registered company number 1005570
Registered charity number 500813

CONTENTS

Operating review - Janek Alexander, Director	1
Board of Trustees' report	7
Members of the board and professional advisers	12
Auditors' report - Gordon Sealey & Associates	13
Financial statements	15
Notes to the financial statements	17

NOTE:

The directors of the charitable company ('the Charity') are its trustees for the purpose of charity law and throughout their report and are collectively referred to as trustees.

Chapter (Cardiff) Limited - Registered number 1005570 - Charity number 500813

Operating review 2007/08

Janek Alexander, Chapter's Director reports on the activities of the charity on the past year.

Chapter seeks to engage the widest range of people in experiencing the arts and developing contemporary artforms. In 2007/08 the charity's activities included:

- commissions, artists' residencies, productions, tours, publications and Chapter-administered projects;
- events, performances and exhibitions;
- outreach initiatives - exhibitions, tours, education work, publishing, mentoring and advice;
- promotion of participation through classes, workshops, school productions, young people's dance performances, community events and amateur theatre.

The charity managed public space for community participation by a wide range of individuals and organisations, including arts organisations, voluntary sector bodies and other social initiatives particularly for disadvantaged groups.

This eclectic mix of activities enables Chapter to bring together cutting edge artistic programmes alongside community participation.

"We hold our events at Chapter because the support from Chapter staff is amazing.... The facilities are good as is the accessibility. As a multicultural group we enjoy the diversity of users and the friendly atmosphere. We are always made to feel welcome."
(Children's Worker, Barnardos)



Regeneration

"I appreciate the valuable role that Chapter plays in promoting the arts and creative business in the local community." (Ieuan Wyn Jones, Minister for the Economy and Transport, Welsh Assembly Government, June 2008)

In creating the charity's premises Chapter has brought semi-derelict buildings into public use. The largest building, the arts centre, requires extensive repairs and for our future development the public facilities have to be increased.

Designs by architects Ash Sakula (www.ahsak.com) were signed off at the end of 2007. An open tendering process managed by CPC Limited concluded with the appointment of Llanelli based contractor WRW Group. The project works commenced on 30th June 2008.

The Trustees took the decision that the arts centre should remain open to maintain the momentum of audience development and trade, service the increased involvement of the voluntary sector and crucially to maintain continuity of artists support.

Chapter's programme of work has continued throughout the redevelopment year. To achieve this required physical changes to spaces, changes to programme times, relocation of offices, and the improvements to the rehearsal Annexe. These changes enabled the Stiwdio below to operate as the temporary replacement for the main public concourse and the café and bar to be relocated.

In devising the plans for the building Chapter has consulted extensively on the needs of its different users and commissioned market research to assess reaction to the changes proposed.

The Arts Council of Wales is the largest contributor awarding a grant of £1.75m for the construction costs and additional funding for the project development. The next largest tier of contributions includes £200,000 awarded from CFAP and £193,369 from the Landfill Community Fund.

Other significant local and national contributors to the redevelopment include: Colwinston Charitable Trust, Follett Trust, Foundation for Sport and the Arts, Garfield Weston Foundation, Gibbs Charitable Trust, Jane Hodge Foundation, Oakdale Trust, Simon Gibson Charitable Trust, Trusthouse Charitable Foundation and UK Film Council. Fundraising continues with decisions expected on a number of major applications and a steady growth in interest from individuals and smaller trusts.

Visual arts

Chapter has created many more opportunities for artists in recent years. In order to support professional practice at different stages in artists' careers, initiatives in 2007 included a major touring programme of exhibitions; a 'Study and Stay' residency programme for local graduates; international exchange projects and exhibitions; a range of artist studios. The 'Assembly: Art in the Bar' rolling programme of installations, interventions, photography and audio visual work has utilised the arts centre's public concourse area to great effect and extends the visual arts presence beyond the gallery walls.

As part of the policy of promoting Welsh artists and developing international networks, Hannah Firth, Chapter's Visual Arts curator, took responsibility for curating the Wales Pavilion at the Venice Biennale 2007. The resulting show was very successful and later toured galleries in Wales.

"...the finest British contributions are not in the British Pavilion. I walked into the Welsh pavilion, tucked away on the fringes of the biennale on Giudecca Island, to be confronted by a fabulous show."

(Waldemar Januszczak, Sunday Times, 17th July 2007)

Also well received in 2008 was the first solo exhibition by Anthony Shapland, 'Suddenly After a Long Silence', commissioned by Chapter.

"Throughout the exhibition, Shapland is attracted to the poetic spaces that exist between night and day, light and dark... engrossingly human".

(Elisabeth Mahoney, Guardian)

'Flashes From The Archives Of Oblivion' by Stuart Brisley, Ian Hinchliffe, Alastair MacLennan and Tatsumi Orimoto was an exhibition of documentation and art works by four pioneers of British performance art whose work in the 1960s had far reaching effect on the development of the artform. The continued significance of their work was demonstrated with large crowds attending the opening weekend of live performance.

Cinema

In 2007 Manchester University Press published *Mike Leigh*, researched and written by Tony Whitehead, Chapter's cinema programmer. The book is an authoritative study of one of Britain's most internationally successful directors. Mike Leigh came to Chapter in June 2008 for a live interview along side the screening of his film *Happy Go Lucky*.

For National Schools Film Week (15th -19th October 2007) 735 pupils from across South Wales including Port Talbot, Bridgend, Canton, Cwmbran, Swansea, Penarth, Pontyclun, Whitchurch and Caerphilly attended film screenings at Chapter of *Notes on a Scandal*, *Monster House*, *Day's of Glory*, *Pan's Labyrinth* and *Last King of Scotland*. After the screening of *Monster House* the British Board Film Classification (BBFC) gave a lecture on classification. Pupils also attended the session 'Meet the Critic' with Gavin Allan, Western Mail.

A series of educational workshops based on the Headlands Coeducational Special School film project, took place in schools around Wales. The film by Karl Francis and Patrick Jones was commissioned by Chapter with the participation of school students throughout.

The Iris Prize (October 2007) - Chapter and Cineworld played host to The Iris Prize, the international gay and lesbian short film prize. A programme of feature films, masterclasses, talks and screenings of the 30 shortlisted short films.

Research began on establishing a "Cinema Academy" for young people. Cinema staff met with the organisers of a Berlin based cinema academy at the Europa Cinemas event in early 2008, a follow up meeting will be held in Berlin before the end of the year.

Chapter is the only cinema centre in Wales with a full-time commitment to cultural film programming, two dedicated screens, education programme, Europa Cinema support and access to high-definition digital projection.

Europa Cinemas is a network of 685 cinemas in 42 countries. Chapter has been a member since 1992; creating initiatives for young audiences, widening choice and supporting European film.

Performing arts

Chapter Theatre presents an all-year-round programme of small to large-scale performing arts projects from Wales, the UK and internationally. It works alongside major international festivals, venues and art centres in promoting and producing the work of leading international figures in the world of performing arts, focusing on innovative contemporary theatre, as well as championing the work of local artists in

Cardiff and from Wales, aiming to maintain a sustainable environment for committed independent artists to develop their craft and work.

Chapter hosted artists from Wales, Luxembourg, Montreal, and Turin as part of the 2008 Dance network programme. Japanese performing artists were highlighted in an eight month Welsh season that began at Chapter with Oriza Hirata, Japan's most significant contemporary playwright and director.

Researcher Heike Roms presented the second of a series of live conversations on the development of performance work in Wales. Chapter's director Janek Alexander was joined by theatre director Mike Pearson and director of *Moving Being* Geoff Moore for a discussion of the early influence of Chapter in development of contemporary arts in Wales. *What's Welsh for Performance? Volume II* will be published in 2008.

Each year Chapter hosts young arts managers as part of its professional development programme. The programme is principally designed for managers who will be working at an international level. Successful placements have included individuals from Russia, China, Japan, Croatia, Germany and Sweden. Inza Lim from Seoul, South Korea took part in the programme in 2007.

Chapter's capacity to programme across art forms and to respond to innovative proposals from artists was particularly evident in its partnership with Sŵn Festival, a major rock music event that promoted over 123 bands in 11 venues in Cardiff, including 23 events at Chapter. The concert goes at Chapter could also see a Sŵn film programme, Sŵn DJ sets and a large scale work painted directly onto the wall of the bar which was specially commissioned from Pete Fowler, artist/designer for the band Super Furry Animals.



The Chapter community

Since 1971 Chapter Arts Centre has been a meeting place for people and for ideas. Chapter today is one of the most successful multi-disciplinary arts organisations in the UK, a major centre for the contemporary arts in Europe and a social phenomenon.

Chapter has supported influential artists early in their careers and established an international reputation for its pioneering work. It has encouraged people of all ages and backgrounds to engage with the arts and has become an intrinsic part of the cultural landscape of Wales.

Chapter is open every day with activities all day in different parts of the centre. The public space is shared with individuals and community groups who are free to engage with the cultural activities at many different levels. Special initiatives support disadvantaged groups ranging from people with disabilities, isolated groups such as women from ethnic minorities, women with young children and school children with challenging behaviour.

Chapter's building is accessible for disabled people and offers induction loops, wheelchair-accessible toilets, passenger lift and designated parking areas.

"I use Chapter fairly frequently as a customer and as a participant in my work role, representing Wales Council for the Blind... I am aware of the immediate benefits of having a hireable space at Chapter."

Other significant achievements

Chapter Trading Limited, the company created by the charity to manage the café and bar, had a very successful first year and donated £65,713 to the main charity. A further £88,941 was paid to the charity by way of management charges.

One of the key tasks in the year has been consultation and communication with all the different groups of users to inform them of the redevelopment and to encourage feedback on the plans. Some 21 pieces of research and a range of initiatives including open days, brochures, letters to residents, questionnaires and focus groups have contributed to the plans. Many statements of support were received in the process of the consultation, the range of comments reflected some of the diversity of Chapter's work.

"...it is inclusive and our members feel comfortable there."

Susan Edwards, Secretary, Rainbow Project South Wales promoting equality for Lesbian Gay Bisexual Transgender

"Without Chapter, I wouldn't have been able to create the business I run as it is today. I had the original idea a year ago but I needed practical support to make it happen, there is no other place in Cardiff other than Chapter that would allow someone like me to make my idea a reality."

Chris Evans, Go Faster Stripe

"Chapter is a fantastic mode of support for my career as a writer and an actress"
Sharon Morgan, Writer, Actor, Artist

"Chapter has changed my life"

Joanna Quinn, International Animator

Board of Trustees

In 2006 trustees reviewed the governance policy for the charity as part of the process of ensuring the procedures and structures remain fit for purpose.

The post of the Chair was widely advertised in Autumn 2007. An appointment panel of trustees, staff and an independent Chair interviewed the shortlisted candidates. The panel's recommendation was presented at a special board meeting and John Matthews

was appointed as Chair. Public advertisements also attracted a great deal of interest in board membership.

Targets and Outputs for 2007/08

Target	Output
200 live events (theatre, music dance, literature, talks)	206 live events (theatre, music, dance, literature, talks)
6 visual arts exhibitions	6 visual arts exhibitions (plus 8 Assembly: Art in the Bar exhibitions)
40 artists or arts organisations supported in studios	40 artists or arts organisations supported in studios
1,686 film screenings (52,128 tickets sold)	1,687 film screenings (51,572 tickets sold)
Continuing partnership arrangements promoting festivals in the city	Festivals supported include : Sŵn Festival, Queer Cymru, Horizons Dance Festival
1500 workshop sessions (dance classes, etc)	1678 workshops and non-ticketed events
100 voluntary groups and community arts groups using the centre	115 voluntary groups and community arts groups using the centre
5 young people on work experience	4 school pupils on work placements
400,000 visits to the arts centre	Approximately 500,000 visits have been made to the arts centre
6 visual arts catalogues produced	3 visual arts catalogues produced
10 listings magazines produced	10 listings magazines produced
28 commissioned texts (English and Welsh)	25 commissioned texts (English and Welsh)
373,057 unique visits to www.chapter.org	514,789 unique visits to www.chapter.org

These figures provide a snapshot of the levels of activity across the centre, the charity's management reports provide a more detailed set of measures for its business planning.

Summary

The redevelopment project is the most significant event in Chapter's planning and it has required and will continue to require detailed engagement by the whole organisation.

The charity has successfully responded to the complex demands of the redevelopment while delivering the arts centre's distinctive programme and continuing to improve services.

JANEK ALEXANDER
DIRECTOR OF CHAPTER

Board of Trustees' report

The Board presents its annual report and the audited consolidated financial statements for the year ended 31 March 2008. This report consolidates the results of Chapter (Cardiff) Limited and its subsidiary, Chapter Trading Limited, collectively referred to here as Chapter. The financial statements comply with current statutory requirements and the Statement of Recommended Practice 2005.

Objectives and activities

Chapter has continued to fulfil the objects set out in its Memorandum and Articles of Association. The charity was incorporated to promote, maintain, improve and advance education, particularly by the improvement of public tastes in the arts.

The policy has been to provide in Wales support for cultural organisations and artists in parallel with the provision of public programmes of contemporary arts, principally in film, theatre and the visual arts. The policy has not altered during the year under review.

A detailed description of Chapter's activities and achievements in the year is set out in the Director's operating review.

Achievements and financial performance

The consolidated results are set out on page 15 and show a surplus of £74,204 for the year (2007: surplus of £95,403). The deficit on unrestricted funds for the year totalled £38,313 (2007: deficit £6,499).

- Voluntary income totalled £2,114,686 (2007: £2,051,167)
 - This included income from trading operations £890,903 (2007: £819,638), and
 - grants and donations totalling £945,322 (2007: £951,513), and
 - other incomes of £278,461 (2007: £280,016)
- Income from charitable activities totalled £271,967 (2007: £267,705)

Chapter Trading Limited generated profits before tax in its first year of trading of £65,713 and made donations of £65,713 through gift aid to the charity. Chapter Trading Limited also paid management fees totalling £88,941 to the charity.

Grants from public bodies towards revenue activity costs are significant sources of income for the charity. The amounts granted for 2007/08 and preceding year are noted above and in more detail in note 2 page 18 of these accounts. The grants are awarded annually, but the charity has agreed long-term funding agreements that will enable the organisation to plan beyond the immediate financial year. The Arts Council and the Film Agency for Wales have agreed three-year funding programmes in recognition of Chapter's strategic importance. Cardiff County Council has introduced a new funding agreement that confirms Chapter's importance within the city.

Each year the charity has to raise £900,000 in grants for revenue activity to support its art and education work. This is a minimum and programme budgets for cinema, theatre

and visual arts can be significantly increased as new projects, e.g. festivals, film productions and theatre commissions, are included in the portfolio and attract project revenue support. In this year grants have reduced again but we have held programme budgets in line with last year by funding the gap from our own resources.

The National Lottery is an important source of money for the arts and Chapter has benefited from its funds. The Government's use of lottery funding to finance the 2012 Olympics is creating difficulties for many arts organisations and charities; the expectation is that new grants will be scaled down and this will make fundraising difficult for Chapter in the coming years

Plans for future periods

Demand for the charity's work has increased and this has put pressure on the public spaces. An important objective is to arrange Chapter's resources so they can be used most efficiently to benefit existing users as well as continuing to attract new people.

To achieve these objectives, during May 2008, the Trustees agreed to proceed with the redevelopment of the Art Centre in Canton, Cardiff. The gross budget for the redevelopment is £3.3m and the trustees have agreed to commit to expenditure of £3.1m as of the date of this report. The public areas will be redeveloped during 2008-2009 with an increase of gross buildings floor area from 4980 sq m to 5204 sq m. The increased capacity together with improvements in the exhibition areas will benefit all users. Together these changes will improve trading opportunities allowing the charity and the trading company to increase voluntary income and further strengthen the sustainability of Chapter.

Reserves policy

Chapter has a healthy reserves balance of £1,047,798 at 31 March 2008. This comprises a restricted reserve balance of £682,917 and an unrestricted element £364,881. The restricted reserves represents accumulated funding received for the purchase of the freehold property, capital refurbishment of that property, and, more recently, for the current redevelopment of the leasehold premises. This reserve is being released to the general unrestricted fund over the life of the fixed assets to match the depreciation charges.

This reserves position enables the Charity to make long-term commitments to projects and to protect its work against financial fluctuations. Additionally, the trustees annually consider the financial risks associated with the income and expenditure streams and the balance sheet items and sets budgets appropriate to the resources reasonably expected to be available. The budgets and longer-term business plans allow time and resources for fundamental restructuring in the event of a major downturn or loss of any significant revenue stream.

The trustees have been, and continue to be, proactive in managing the risks associated with loss of income. A range of trading incomes is in place - successful bar/café, gallery shop, room hires and hospitality offering - and others are constantly reviewed and considered. Chapter also maintains an overdraft to manage short-term cash requirements.

Constitution

Chapter (Cardiff) Limited is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. The company registration number is 1005570 and the charity registration number is 500813.

Structure, governance and management

Chapter has two separate limited companies within its group. The parent company, Chapter (Cardiff) Limited, is a charity established in 1971. The charity's wholly owned subsidiary, Chapter Trading Limited, was incorporated on 1 March 2007 to operate Chapter's café/bar.

The charity's board of management meets six times a year, with sub-committee meetings taking place every month. In total there are 20 scheduled meetings a year.

Chapter recruits new board members by a combination of advertisement, headhunting, networking and following up on recommendations. New board members recruited during the year are co-opted and stand for election by the members at the Annual General Meeting. Members can also nominate individuals for election to the board.

Prior to appointment prospective board members are interviewed and receive an induction pack. They are invited to attend a meeting as an observer and take a tour of Chapter's facilities.

Chapter's director is its chief executive, who is appointed by the board and reports to them. The board delegates the artistic and business decisions to the director, who in turn delegates responsibility to the senior heads of department. The department heads manage their own areas of activity and also have corporate responsibility to the organisation as a whole. The managers meet formally with the director at a weekly meeting. The director and finance director meet with the board every two months, with board sub-committees each month, and informally with individual board members on a weekly basis.

Chapter works closely with organisations across Cardiff, Wales, the UK and also with international partners. Co-operation with other organisations is an important means by which the charity achieves its objectives. Reflecting the range of activity, the partnerships, are very diverse and include other arts organisations, voluntary sector groups, local authorities, public agencies and broadcasters. The charity also promotes professional development through connections with many professional associations in the UK and internationally.

Risk Management

The directors have examined the major strategic, business and operational risks that the charity faces and confirm that systems have been established to enable regular reports to be produced to ensure that the necessary steps can be taken to minimise those risks.

Risk assessment is an important tool by which Chapter manages the work of the company at board level, through sub-committees and through the staff management

team. Heads of department have responsibility for their own areas but also corporate responsibility for the organisation as a whole and in that context risk management is a shared task.

The trustees last reviewed and updated the risk management strategy in March 2008.

Responsibilities of the trustees

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The group and charitable company's financial statements are required by law to give a true and fair view of the state of affairs of the group and charitable company and of the group's surplus for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue in operation.

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

Statement of Disclosure of Information to Auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the charity's auditors are unaware; and
- the trustees 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.

Auditor

A resolution to re-appoint Gordon Sealey & Associates as auditor for the ensuing year will be proposed at the Annual General Meeting.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
Chapter Arts Centre
Market Road
Canton
Cardiff CF5 1QE

Signed by order of the trustees:

JOHN MATTHEWS, CHAIR

.....
Trustee

10 SEPTEMBER 2008

.....
Date

Members of the board and professional advisers

Registered charity name	Chapter (Cardiff) Limited
Charity number	500813
Company registration number	1005570

Trustees and dates of appointment

The directors of the charitable company ('the Charity') are its trustees for the purpose of charity law and throughout their report and are collectively referred to as trustees.

Eluned Haf	16/05/2007, resigned 26/07/07
Laura Canning	14/03/2007, resigned 16/07/08
Steve Garrett	14/03/2007
Samantha Maskrey	17/01/2007
Ciara Conlon	14/07/2004, resigned 26/08/08
Brian Drysdale	14/07/2004
Peter Cox	12/09/2001, resigned 16/01/08
Gareth Powell	12/09/2001
Vaughan Roderick	14/07/1997, resigned 12/09/07
Kate Long	12/05/1997, resigned 12/09/07
Paul Devitt	01/12/1996, resigned 12/09/07
Peter Phillips	01/06/1992, resigned 12/09/07
Marc Evans	16/03/1992, resigned 12/09/07
Angela Gidden	12/09/2007
Robert Chapman	12/09/2007
John Matthews	12/09/2007
Elin Wyn	12/09/2007

Secretary	Susan Powell	
Senior management	Janek Alexander	Director
	Mark Davies	Finance Director
Registered office	Chapter Arts Centre Market Road Canton Cardiff CF5 1QE	
Auditors	Gordon Sealey & Associates Chartered Accountants and Registered Auditors Tudor House 16 Cathedral Road Cardiff CF11 9LJ	
Bankers	Lloyds TSB Bank plc 514 Cowbridge Road East Cardiff CF5 1BL	

Auditors' report

We have audited the group and charity financial statements (the "financial statements") of Chapter (Cardiff) Limited for the year ended 31 March 2008 which comprise the consolidated statement of financial activities including the group income and expenditure account, the consolidated and parent entity balance sheets and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The responsibilities of the trustees (who also act as directors of Chapter (Cardiff) Limited for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Trustees on page 10.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of the trustees and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees Annual Report. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting

policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and charitable company's affairs as at 31 March 2008 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees Annual Report is consistent with the financial statements.

.....
Gordon Sealey and Associates
Chartered Accountants and Registered Auditor
1st floor, Tudor House
16 Cathedral Road
Cardiff
CF11 9LJ

Date:

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME & EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31ST MARCH 2008

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Total Funds 2008 £	Total Funds 2007 £
Incoming Resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	1,890,752	223,934	2,114,686	2,051,167
<i>Incoming resources from charitable activities</i>	3	271,967	-	271,967	267,705
<i>Investment income</i> – interest receivable		747	-	747	-
Total Incoming Resources		<u>2,163,466</u>	<u>223,934</u>	<u>2,387,400</u>	<u>2,318,872</u>
Resources Expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income	4	1,256,452	-	1,256,452	1,162,453
<i>Charitable Activities</i>	5	924,415	70,750	995,165	992,483
<i>Governance Costs</i>	6	61,579	-	61,579	68,533
Total Resources Expended		<u>2,242,446</u>	<u>70,750</u>	<u>2,313,196</u>	<u>2,223,469</u>
Net (Outgoing)/Incoming Resources And Net (Expenditure)/Income For The Year		(78,980)	153,184	74,204	95,403
Transfer between funds	19	40,667	(40,667)	-	-
Net movement in funds		(38,313)	112,517	74,204	95,403
Total funds brought forward		403,194	570,400	973,594	878,191
Total funds carried forward		<u>364,881</u>	<u>682,917</u>	<u>1,047,798</u>	<u>973,594</u>

The statement of financial activities includes all gains and losses recognised in the year and therefore a statement of total recognised gains and losses has not been prepared.

All the above amounts relate to continuing activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2008**1. Accounting Policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice (SORP) 'Accounting and Reporting for Charities' issued in March 2005 (SORP 2005) and the Companies Act 1985.

Basis of consolidation

These consolidated financial statements include the financial statements of Chapter (Cardiff) Limited ("the charitable company") and Chapter Trading Limited, its wholly owned trading subsidiary, made up to 31 March 2008.

These financial statements consolidate the results of the charity and its wholly owned subsidiary on a line by line basis.

The trading results of the subsidiary are disclosed in note 12 to these financial statements.

In accordance with the provisions of s230 of the Companies Act 1985 and paragraph 397 of the SORP, the charity is exempt from the requirement to present its own income and expenditure account and Statement of Financial Activities.

Cash flow statement

The trustees have taken advantage of the exemption in Financial Reporting Standard no. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the charity is small.

Grants

Grants are credited to the accounts in the year to which they relate.

Capital grants received to fund the purchase of fixed assets are credited to restricted funds in the period in which they are received and released in equal annual instalments to the Statement of Financial Activities over the estimated useful lives of the assets to which they relate.

Donations

Donations are credited to the accounts in the year that they are notified to the charity.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold land	0 % straight line
Freehold buildings	2% straight line
Leasehold buildings	4% straight line
Fixtures and fittings	20% straight line

Depreciation is not charged on the freehold land because, in the opinion of the trustees, the current value of the property is in excess of the market value of the property shown in the accounts.

Resources expended

Resources expended are included in the statement of financial activities on an accruals basis.

Certain expenditure is directly attributable to specific activities and has been included in the costs relating to that activity. Where costs cannot be attributed to a specific activity they have been allocated on a basis consistent with the use of the resource.

2. Voluntary income

	Unrestricted Funds £	Restricted Funds £	Total Funds 2008 £	Total Funds 2007 £
Donations	8,241	13,428	21,669	7,473
Grants receivable				
Arts Council of Wales Revenue Grant	638,268	34,865	673,133	672,000
Arts Council of Wales Capital Grant	-	14,373	14,373	28,780
Arts Council of Wales Sustainability Grant	-	-	-	22,000
Cardiff County Council Revenue Grant	25,411	-	25,411	25,411
Arts Council of Wales Capital Redevelopment Grant	-	125,383	125,383	108,942
Film Agency for Wales	41,000	-	41,000	45,700
The Henry Moore Foundation	-	10,000	10,000	-
Calouste Gulbenkian	-	20,000	20,000	-
Europa	8,468	2,885	11,353	10,656
The International 3	-	1,000	1,000	-
UWIC	-	2,000	2,000	-
Other grants	-	-	-	12,461
Lloyds TSB Foundation	-	-	-	18,090
	<u>713,147</u>	<u>210,506</u>	<u>923,653</u>	<u>944,040</u>
Other incoming resources				
Facilities and properties income	245,275	-	245,275	246,906
Operation of café, bars and gallery shop	924,089	-	924,089	852,748
	<u>1,169,364</u>	<u>-</u>	<u>1,169,364</u>	<u>1,099,654</u>
	<u>1,890,752</u>	<u>223,934</u>	<u>2,114,686</u>	<u>2,051,167</u>

3. Incoming resources from charitable activities

	Unrestricted Funds £	Restricted Funds £	Total Funds 2008 £	Total Funds 2007 £
Cinema	202,143	-	202,143	184,248
Gallery	1,120	-	1,120	1,746
Theatre	68,704	-	68,704	81,711
	<u>271,967</u>	<u>-</u>	<u>271,967</u>	<u>267,705</u>

4. Costs of generating voluntary income

	Total 2008 £	Total 2007 £
Fundraising costs of grants and donations	79,481	83,737
Facilities and property income costs	247,430	252,519
Operation of café, bar & gallery shop	929,541	826,197
	<hr/> 1,256,452	<hr/> 1,162,453

All of this expenditure is made from unrestricted funds.

5. Costs of charitable activities by activity type

	Centre £	Support Costs £	Total funds 2008 £	Total funds 2007 £
Cinema	376,239	27,199	403,438	397,584
Gallery	251,632	27,199	278,831	263,772
Theatre	272,097	40,799	312,896	331,127
	<hr/> 899,968	<hr/> 95,197	<hr/> 995,165	<hr/> 992,483

The total expenditure in 2008, of £995,165, comprises £924,415 from unrestricted funds and £70,750 from restricted funds.

6. Governance costs

	Total 2008 £	Total 2007 £
Audit fees	5,229	4,625
Legal fees	2,490	2,623
Professional fees	2,840	4,654
Licences	10,083	10,824
General and finance office costs	40,937	45,807
	<hr/> 61,579	<hr/> 68,533

All of this expenditure is made from unrestricted funds.

7. Employee costs	2008	2007
	£	£
Wages & salaries	1,035,051	951,292
Social security costs	<u>78,557</u>	<u>71,017</u>
	<i>Number</i>	<i>Number</i>
Average number of persons employed	<u>110</u>	<u>95</u>

The trustees received no remuneration during the year (2007: £Nil) and no others received payment or reimbursement of expenses during the year (2007: £Nil).

8. Net movement in funds

	2008	2007
	£	£
Net movement in funds is after charging:		
Rentals under operating leases -		
- other	-	6,797
- land & buildings	11,800	11,800
Depreciation - owned assets	100,485	99,585
Auditors remuneration	8,000	4,100
	<u> </u>	<u> </u>

9. Taxation

The company, which is a registered charity, is not liable to taxation on the net income from its activities. The Subsidiary, Chapter Trading Limited, has no corporation tax charge for the period.

10. Tangible fixed assets – Group and Charity

	Freehold land & buildings	Improvements to l'hold buildings	Leasehold buildings	Fixtures & fittings	Total
	£	£	£	£	£
Cost					
At 1 April 2007	555,993	160,521	1,036,847	839,060	2,592,421
Additions	-	350,514	-	47,082	397,596
At 31 March 2008	<u>555,993</u>	<u>511,035</u>	<u>1,036,847</u>	<u>886,142</u>	<u>2,990,017</u>
Depreciation					
At 1 April 2007	128,353	-	654,309	718,133	1,500,795
Charge for year	10,448	-	40,846	49,191	100,485
At 31 March 2008	<u>138,801</u>	<u>-</u>	<u>695,155</u>	<u>767,324</u>	<u>1,601,280</u>
Net book value					
At 31 March 2008	<u>417,192</u>	<u>511,035</u>	<u>341,692</u>	<u>118,818</u>	<u>1,388,737</u>
At 31 March 2007	<u>427,640</u>	<u>160,521</u>	<u>382,538</u>	<u>120,927</u>	<u>1,091,626</u>

As noted in the Trustees' report, the Company has commenced work on a £3.3m scheme to refurbish significant aspects of the main arts centre site. The costs incurred to date are included above as 'improvements to leasehold buildings'. These assets will be depreciated commencing on their date of commissioning, expected to be in 2009.

11. Investments

The company owns 100% of the issued share capital of Chapter Trading Limited, a company incorporated in England and Wales. The principal activity of this company is the operation of the café/bar at Chapter.

12. Trading subsidiary's result

	2008
	£
Turnover	890,903
Cost of sales	372,739
Gross profit	<u>518,164</u>
Administration expenses and other costs	364,257
Trading profit	<u>153,907</u>
Interest receivable	747
Net income	<u>154,654</u>
Gift aid payment to Chapter (Cardiff) Limited	65,713
Management charge from Chapter (Cardiff) Limited	88,941
Retained profit for the year	<u><u>-</u></u>

The assets and liabilities of the subsidiary were:

	2008
	£
Current assets	174,643
Creditors: amounts falling due within one year	<u>174,641</u>
Net assets/shareholders' funds	<u>2</u>

13. Stocks

	Group	Charity	
	2008	2008	2007
	£	£	£
Café & Bar	10,281	-	9,895
Gallery shop	6,042	6,042	8,121
	<u>16,323</u>	<u>6,042</u>	<u>18,016</u>

14. Debtors	Group	Charity	
	2008	2008	2007
	£	£	£
Trade debtors	115,573	97,008	80,980
Prepayments and accrued income	15,946	15,946	37,491
Other debtors	34,645	32,701	57,122
	<u>166,164</u>	<u>145,655</u>	<u>175,593</u>

15. Creditors: amounts falling due within one year

	Group	Charity	
	2008	2008	2007
	£	£	£
Bank loan and overdraft	121,865	121,865	56,339
Trade creditors	320,979	244,733	141,930
Due to subsidiary company undertakings	-	55,866	-
Taxation and social security	52,821	22,432	50,173
Other creditors	5,454	3,092	4,789
Accruals and deferred income	48,873	48,873	62,484
	<u>549,992</u>	<u>496,861</u>	<u>315,715</u>

16. Secured borrowing – Group and Charity

	2008	2007
	£	£
Bank overdraft	121,865	53,993
Bank loan	-	2,346
	<u>121,865</u>	<u>56,339</u>
Less amounts falling due within one year	(121,865)	(56,339)
	<u>-</u>	<u>-</u>
Amounts falling due after more than one year	<u>-</u>	<u>-</u>
Bank overdraft		
Within one year or on demand	121,865	53,993
	<u>121,865</u>	<u>53,993</u>
Repayable by instalments		
Within one year	-	2,346
Between two and five years	-	-
After five years	-	-
	<u>-</u>	<u>2,346</u>

The bank loan was fully repaid in June 2007.

17. Operating lease commitments – Group and Charity

	2008	2007
	£	£
Expiring:		
Within two - five years	-	9,943
After five years	11,800	11,800
	<u>11,800</u>	<u>21,743</u>

18. Called up share capital

The charity is limited by guarantee and has no share capital.

19. Restricted funds – Group and Charity

	Movement in funds				At end of year
	At beginning of year	Incoming resources	Transfer to unrestricted income funds	Outgoing resources	
	£	£		£	£
Capital grants					
Leasehold improvement grants – pre 1990	134,264	-	(22,378)	-	111,886
Freehold improvement grants – 1994-1996	253,956	-	(7,054)	-	246,902
Leasehold improvement grants - 2002-2004	38,804	-	(2,042)	-	36,762
ACW capital grant 2006	34,434	14,373	(9,193)	-	39,614
ACW leasehold redevelopment funding 2007-2008	108,942	125,383	-	-	234,325
	570,400	139,756	(40,667)	-	669,489
Voluntary income					
Project funding - grants	-	70,750	-	(70,750)	-
Redevelopment – sponsorship and donations	-	13,428	-	-	13,428
	-	84,178	-	(70,750)	13,428
Totals	570,400	223,934	(40,667)	(70,750)	682,917

The transfer to unrestricted income funds represents the annual release of the capital grants to the SOFA to match the depreciation charge on these funded fixed assets.

Leasehold improvement grants – pre 1990

These grants have been transferred to a suspense reserve and are now being taken to income in equal instalments over a period of 25 years to match the depreciation of leasehold improvements.

Freehold improvement grants – 1994-1996

These grants have been transferred to a suspense reserve and are now being taken to income in equal instalments over a period of 50 years to match the depreciation of freehold improvements.

Leasehold improvement grants – 2002-2004

Grants from the ERDF, Arts Council of Wales, Cardiff County Council and Abbey National to fund refurbishment of the West Wing of the Arts centre have been transferred to restricted capital grants and are now being taken to income over the same period of time as the depreciation of the assets funded by the grants.

ACW capital grant 2006

This grant from the Arts Council of Wales for the purchase of fixed assets related to the Sustainability

scheme has been transferred to restricted capital grants and is now being taken to income over the same period of time as the depreciation of the assets funded by the grants.

ACW leasehold redevelopment funding 2007-2008

These grants from the Arts Council of Wales for the current redevelopment of the Arts Centre have been transferred to restricted capital grants and will be taken to income over the same period of time as the depreciation of the assets funded by the grants.

Project funding

These are revenue grants for specific creative projects and are categorised as voluntary income and the grants are spent in accordance with the donors' restrictions.

Redevelopment – sponsorship and donations

Sponsorships and donations received in respect of the current Arts Centre redevelopment scheme, which are restricted by the donors, are transferred to restricted capital grants, are spent in accordance with the donors' restrictions and are subsequently taken to income over the same period of time as the depreciation of the assets funded by the grants.

20. Analysis of fund balances between net assets – Group and Charity

	Tangible fixed assets £	Net current assets £	Total £
Restricted income funds	682,917	NIL	682,917
Unrestricted income funds	705,822	(340,941)	364,881
Total restricted and unrestricted funds	<u>1,388,739</u>	<u>(340,941)</u>	<u>1,047,798</u>

21. Related parties

Chapter (Cardiff) Limited received £88,941 in management fees from Chapter Trading Limited during the year.

Chapter Trading Limited also made a gift aid donation of £65,713 to Chapter (Cardiff) Limited during the year.

There were no other transactions with related parties undertaken, such as are required to be disclosed under Financial Reporting Standard No 8.

22. Capital commitments

During May 2008 the Trustees agreed to proceed with the redevelopment of the Art Centre in Canton, Cardiff. The gross budget for the redevelopment is £3.3m and the trustees have agreed to commit to expenditure of £3.1m as of the date of this report.