

# THE WATERSHED ARTS TRUST LIMITED

England & Wales · Charity number 284188

## Details

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**Other names**                      WATERSHED MEDIA CENTRE

**Status**                              Registered

**Legal form**                       Charitable company

**Company number**               [01608779](#)

**Registered**                       1982-03-18

**Register**                          [View on the Charity Commission register](#)

## Contact

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**Address**                            Watershed Arts Trust Ltd  
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Bristol  
BS1 5TX

**Phone**                              01179276444

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**Website**                           [www.watershed.co.uk](http://www.watershed.co.uk)

## Activities

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**Objects:** TO ADVANCE EDUCATION AND SKILLS IN AND INCREASE APPRECIATION AND UNDERSTANDING AMONGST ORGANISATIONS AND MEMBERS OF THE PUBLIC OF THE ARTS, INCLUDING DIGITAL ARTS, FILMS, GAMES, MUSIC, JOURNALISM, CREATIVE WRITING, DRAMA, MIME, OPERA, DANCE, BALLET, SINGING, PHOTOGRAPHY, RADIO PROGRAMMES, SCULPTURE, CARVING, POTTERY, PAINTING, DRAWING, DESIGN AND ALL OTHER FORMS OF ARTISTIC OR CREATIVE WORKS AND WHETHER FOR TRANSMISSION, DISSEMINATION, BROADCAST, PERFORMANCE OR EXHIBITION IN PHYSICAL SPACES, IN CINEMAS, ON TELEVISION, ON RADIO, VIA THE INTERNET, VIA MOBILE TELEPHONES (OR OTHER DEVICES AND MEDIA EXISTING OR IN THE FUTURE DEVELOPED), OR OTHERWISE.

**Activities:** Watershed exists to provide opportunities for all to experience enjoy and learn about contemporary moving image media. Watershed is a media centre for the digital age offering a culturally diverse programme of work encompassing artists' commissions, residencies, on-line exhibition, touring programmes, festivals, events and a diverse programme of world cinema.

## Classification

- **How:** Other Charitable Activities
- **What:** Education/training, Arts/culture/heritage/science
- **Who:** Children/young People, Other Defined Groups, The General Public/mankind

## Geography

- **Area of benefit:** UNDEFINED
- Bristol City
- Gloucestershire
- Somerset

## Finances

| Period end | Income     | Expenditure | Assets      | Employees |
|------------|------------|-------------|-------------|-----------|
| 2025-03-31 | £7,492,659 | £7,684,306  | £8,719,441  | 127       |
| 2024-03-31 | £6,555,080 | £6,473,304  | £8,914,643  | 118       |
| 2023-03-31 | £5,291,208 | £4,479,816  | £9,695,300  | 55        |
| 2022-03-31 | £4,593,258 | £4,614,872  | £10,377,892 | 101       |
| 2021-03-31 | £4,488,786 | £4,134,330  | £10,399,506 | 109       |
| 2020-03-31 | £6,072,050 | £5,438,180  | £10,045,050 | 101       |

## Trustees

| Name                     | Role  | Appointed  |
|--------------------------|-------|------------|
| <b>Stephen Gatfield</b>  | Chair | 2014-06-25 |
| Bashir Ahmed Noor        |       | 2025-06-18 |
| Charlotte Anne Lester    |       | 2022-02-09 |
| Dr Daniella Jenkins      |       | 2025-06-18 |
| Kate Daisy Arthurs       |       | 2022-02-09 |
| Louise Marie Ndibwirende |       | 2022-02-09 |
| Louise-Marie Davies      |       | 2025-06-18 |
| Sherrie Eugene-Hart      |       | 2016-12-07 |
| Sidharth Sharma          |       | 2022-02-09 |

**THE WATERSHED ARTS TRUST LIMITED**

England & Wales - Charity number 284188

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# Accounts

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Company registration number: 01608779

Charity registration number: 284188

# Watershed Arts Trust Limited

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 March 2025



**Watershed Arts Trust Limited**  
**Contents (continued)**

|  |          |
|--|----------|
| Trustees' Report                               | 1 to 8   |
| Independent Auditors' Report                   | 9 to 12  |
| Consolidated Statement of Financial Activities | 13 to 14 |
| Consolidated Balance Sheet                     | 15       |
| Balance Sheet                                  | 16       |
| Consolidated Statement of Cash Flows           | 17       |
| Notes to the Financial Statements              | 18 to 48 |

## Watershed Arts Trust Limited Trustees' Report

Watershed is a values-led cultural organisation centred around cinema and creative technology. We bring artists and audiences together to fire up the imagination and build hope about the future.

### Strategic Report

The story of Watershed is one of both idealism and pragmatism: Watershed opened its doors in 1982 and declared itself to be 'Britain's First Media Centre' seeking to capture and contextualise the shift in media at the point when satellite TV and Channel 4 were starting up. Since those early days in 1982 the organisation has changed and evolved but the original sense of being at the cutting edge has remained central to our DNA.

### Watershed Values

Our values are co-authored with staff, partners and audiences and applied in everything we do:

- **Inclusive** We listen to and learn from our community, creating equity and addressing harm where it occurs
- **Transparent** We share our approach openly and clearly, working at a pace which enables everyone to participate who wishes to
- **Responsible** We use our sustainable with our resources and consider our impact on future generations
- **Kind** We are careful and caring with ourselves and with others
- **Hopeful** We celebrate culture, creativity and wonder as paths to a better future

### The pillars of our work

#### Our Creative Programme

- Europe's leading independent Cinema
- Cinema Rediscovered - annual festival bringing back classic films to the big screen.
- Work in progress showcases, talks and events around media, tech and creative innovation
- Large scale R&D projects in Bristol, across the UK and around the world
- Undershed - one of the world's only immersive galleries
- Talent development across film and creative technology

#### Civic and Social Infrastructure

- Welcoming and accessible venue
- Gifted workspace to over 250 creatives in The Pervasive Media Studio.
- Distributor of lottery and research funding to creative ecology
- Stewardship of heritage building and prime city centre harbourside space
- Inclusive facilities open to everyone - from provision of public toilets to rest space
- Development and knowledge sharing for culture sector on inclusive organisational culture

This work is underpinned through highly successful income generating activities which include renting space to tenants, the delivery of a high-quality events and conferencing service and a café bar with a locally sourced menu which caters to multiple tastes and needs.

#### Achievements and performance

- 4.8 million people visited us on the web.
- 318,261 people visited our building.
- 152,509 people bought tickets for our venue screenings and events.
- We screened 323 film titles, over 3,618 screenings.
- 24,100 people engaged with our online programme.
- 46,413 young people engaged with our programme.
- 4,457 people engaged with projects beyond the venue.
- 238 artists and creatives are resident in the Pervasive Media Studio.
- 129 Employees at Watershed
- Pervasive Media Studio residents reported secured research funding in excess of £500K

## **Programme highlights**

### **Cinema**

Watershed delivered exceptional cinema programming, finishing the year 7% ahead of budget and achieving significant year-on-year growth. The venue presented high-profile Q&As with talent including Josh O'Connor, Viggo Mortensen, Kneecap, and Joshua Oppenheimer, contributing to Watershed's reputation as a leading UK independent cinema.

Notable achievements included being the top-performing UK venue for Love Lies Bleeding, Timestalker, Kneecap, and A Sudden Glimpse to Deeper Things. Perfect Days ran for an unprecedented 52 weeks (February 2024-February 2025) with over 8,700 admissions and £50k+ gross. The Chantal Akerman season attracted 1,500+ attendees across two months.

Cinema Rediscovered achieved record admissions in July 2024, with overall attendance up 21% and pass sales up 40% on the previous year. Family programming included successful runs of Wallace & Gromit and My Neighbour Totoro.

### **Film Sector Leadership**

As BFI Film Hub South West, Watershed distributed Film Exhibition Fund grants totalling £177,500 to 24 independent cinemas and festivals, including Stroud Film Festival and Queer Vision Film Festival. The Beyond Boundaries programme supported 14 participants from underrepresented communities.

CrossFAN's UK-wide Art of Action season coordinated 713 events across 82 venues, reaching 23,900 admissions with £224,433 in National Lottery funding distributed. BFI NETWORK South West supported regional filmmakers through mentoring, workshops, and the Early Development Fund.

BFI Film Academy South West delivered programmes including Inside Screen industry events, partnerships with Cables & Cameras for young people from underrepresented ethnic backgrounds, and mentoring for working-class filmmakers aged 16-25.

### **Undershed and Immersive Arts**

Undershed, Watershed's new immersive gallery, opened in October 2024 with Sing the Body Electric, attracting 1,699 visitors across two months. The ambitious exhibition featured seven artworks from international artists working in VR, haptics, projection, and experimental formats.

Arts Council England awarded Watershed £350,000 to lead a national network of immersive galleries with Broadway Nottingham, FACT Liverpool, and Wales Millennium Centre, establishing Watershed as a sector leader.

Watershed also acted as the lead producer for Immersive Arts – a funding programme across four nations. The first round received 2,517 applications, with 83 projects awarded funding, exceeding population benchmarks for Global Majority, women and minoritised genders, and disabled/neurodivergent artists.

### **Pervasive Media Studio and Talent development**

Pervasive Media Studio continued to support an extraordinary creative technology community throughout 2024-25, with 23 new permanent residents and 36 new temporary residencies. The Studio delivered 76 public events (Lunchtime Talks and First Friday) reaching 4,690 people in person and 4,769 online. Major research collaborations included the MyWorld Fellowship programme supporting creative practitioners embedded with industry partners like Aardman Animations, and the More than AI Sandbox commissioning six creative technology prototypes. The Sony Assistive Musical Instruments Hackathon exemplified the Studio's inclusive approach, bringing together Disabled musicians from Paraorchestra, creative technologists, and Sony engineers for three days of co-design, culminating in a public performance that showcased collaborative innovation.

Talent development and inclusion remained central to the Watershed's mission, with extensive work supporting young people and underrepresented communities. The Studio delivered family workshops throughout the year, hosted 36 students for work experience exploring immersive experiences, and partnered with Bristol Brunel Academy to provide Film in a Day workshops for eight care-experienced young people. Make Shift programming expanded with the launch of Is Jazz, a monthly peer-led drop-in for early-stage creatives, while the annual Make Shift Camp supported eight practitioners from working-class backgrounds.

The Connected Futures Festival engaged over 3,000 people and 62 young people from four Bristol schools in exploring 6G technologies, while new signage improvements and accessibility measures enhanced the physical environment for all residents.

### **Community Partnerships**

New partnerships included Bristol Butch Bar (Love Lies Bleeding opening night party), FAM Films (Black Bristol on Film), and Afrika Eye (Dahomey panel discussion). The venue presented Bristol Palestine Film Festival, Slapstick Festival's 20th edition, and Diaspora Festival.

Earth Day celebrations in April 2024 attracted 130+ attendees for film screenings and 60+ for networking, featuring climate action organisations including Avon Rivers Trust and Soil Association.

**Watershed Arts Trust Limited  
Trustees' Report (continued)**

*Our ethical AI policy states we will be transparent about our use of AI. The programme highlights were authored using Claude.Ai to summarise existing Watershed documents.*

**Report on 2024 - 2025 Organisational Priorities**

**Business planning**

We began working with Moira Sinclair to develop a new business plan and case for support for Watershed – responding to the challenge of the times.

**Watershed Wild and Generous**

Watershed secured Heritage Lottery Funding to undertake feasibility for Watershed Wild and Generous, including a condition report on the building to fully scope the scale of the refurbishment and retrofit that is needed to ensure it is fit for the next 100 years. We recruited two directors of Regenerative Futures to oversee this work and begin planning and fundraising for the bigger project.

**Deliver new cinema and audience development strategy**

We delivered a new Cinema strategy designed to increase audiences and profitability.

**Undershed**

We launched Undershed - a new Immersive Gallery in Autumn 2024 and began producing a new national network of immersive venues.

**Finance Systems**

After a competitive and thorough process, we selected and contracted X-Ledger as Watershed's new finance system to improve efficiency and business reporting.

**Looking ahead: 25-26 Organisational priorities**

- Programme - Develop comprehensive cross organisational programme for theme of Home (25-26) and Sound (26-27) to encourage cross pollination and supports fundraising.
- Launch Club Shed membership scheme to grow mailing list and frequency of visits
- Link Undershed much more clearly to Watershed creative technology programme
- Wild and Generous - deliver plan and fundraising approach. to leverage our heritage, meet our values and respond to the changing opportunities of our business.
- Development - Launch Corporate Membership scheme
- Finance - Implement new finance software

**Risk Management**

Effective risk management is crucial to Watershed thriving in the changeable environment in which it operates. Watershed's risk management strategy ensures that the organisation can:

- Maintain a resilient, flexible, and viable operation.
- Make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

Watershed's risk register identifies the key areas of risk the business faces, assesses the indicators, likelihood and impact of those risks and identifies the actions required in order to mitigate them should they arise.

The risk register is created and regularly reviewed by the Board and the Executive team. Watershed's risk management strategy involves maintaining:

- Procedures to ensure early detection of identified and emergent risks.
- Regular monitoring of key performance indicators across the organisation
- Procedures to effectively mitigate identified risks.
- Procedures to minimise the impact on the organisation should identified risks materialise.

**Principal risks and uncertainties**

Watershed's assessment of risk has been reviewed in light of the continuing challenging circumstance and the key risks facing the company have been identified as:

**Business Model**

- Trend analysis and historic data cannot be relied upon as patterns are changing.
- Increases in salary costs, services and purchasing and utilities.

## Watershed Arts Trust Limited Trustees' Report (continued)

- Public funding not increasing year on year to match inflation.
- Fundraising – Trusts and Foundations are oversubscribed and closing their applications.

### Building and Systems

- Systems infrastructure with unreliable and unsupported legacy systems impacting operational efficiency.
- Financial reporting and planning failing to meet organisational need, due to poor financial systems and controls.
- Fall behind with critical building work or fixed asset replacement causing Facilities/equipment to be no longer fit for purpose or meet customer expectations.

For each of these risks, Watershed has in place indicators and mitigating actions to monitor, avoid, mitigate or transfer the impact of its principal risks and uncertainties. The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register.

### Development (Fundraising)

Watershed is committed to the highest fundraising standards and believes that it is important that all our fundraising activities are clear, open, honest, respectful, and compliant.

Watershed is registered with the Fundraising Regulator. We commit to its Fundraising Promise and follow its Code of Fundraising Practice. Watershed raise funds via multiple fundraising activities, including postal and digital appeals, events and fundraising that has been organised by others on our behalf. We ensure compliance with these standards by:

- Our Head of Development ensures that all those engaging in fundraising for Watershed are aware of the Code of Fundraising Practice and any updates.
- Fundraising is conducted in line with our Fundraising Policy and supporters can raise an issue or complain about our fundraising activities as outlined in our Fundraising Feedback, Compliments and Complaints Policy.
- Fundraising complaints are monitored, recorded, and reported annually to the Fundraising Regulator by the Head of Development. There were no complaints or concerns received during the year.
- We value all our donors, no matter what they donate, will treat them fairly and with respect as well as being accountable for the resources given to us.
- We will not fundraise in a way which is an unreasonable intrusion on a person's privacy, is unreasonably persistent or places undue pressure on a person to donate.
- We will consider the needs of any possible donor who may be in vulnerable circumstances or need extra care and support to make an informed decision and will not take a donation if we believe this is appropriate.

### Financial review

#### Overview

The consolidated results set out on page 13 show a deficit of £191,647, for the year (2024: deficit of £798,224). The deficit on unrestricted funds for the year totalled £44,459 (2024: deficit of £630,149).

Before transfers between funds, Watershed showed an unrestricted deficit of £191,647 reflecting the challenging operating and trading conditions over the year. Unrestricted income (excluding income from restricted programme funds) was £4.90 million during the year and unrestricted expenditure (excluding programme costs) was £5.10 million.

#### Subsidiary Company Results

The charity's wholly owned subsidiary, **Watershed Trading Limited**, continued to operate Watershed's café/bar and conference facilities.

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust and form a key part of the Watershed offer, providing a welcoming, open and inclusive meeting place for all to enjoy.

Watershed Trading Limited generated a profit before tax and donations of £250,703 (2024: profit of £341,813). Donations of £393,029 were made through gift aid to the Charity, based upon the previous year's trading (2024: £158,403).

The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £1,838,512 (2024: £1,451,457)
- Conference sales generated £336,137 (2024: £572,258)

## **Watershed Arts Trust Limited Trustees' Report (continued)**

The charity's wholly owned subsidiary, Watershed Ventures CIC, did not carry out any activity in the current or previous year. In the year, Watershed Ventures CIC made no donations (2024 £nil) through gift aid to the Charity and generated a profit before tax of £1,132 (2024: loss of £237) and total revenue of £nil (2024: £nil).

No activity was undertaken by Watershed Ventures CIC in 2024/25. On 12 August 2025, Watershed Ventures CIC ceased to trade and the company was dissolved.

### **Financial monitoring and control**

Watershed's financial systems enable early detection of potential problems allowing actions to be taken to mitigate any likely impact in a timely manner, including:

- A careful and prudent budgeting process to ensure that financial targets (income and costs) are realistic and achievable.
- Production of management accounts to assess overall Group performance against budget.
- Weekly and monthly sales reports ensure that progress against sales targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take.
- Financial performance is reviewed regularly by Watershed's Executive team and quarterly by Watershed's Finance Sub-Group and Board.
- The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.
- Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis.

Watershed's income portfolio includes:

### **Programme Funds**

Programme funds received through partnership agreements, restricted project grants and contracts for services account 34% of Watershed's income in 24/25 (up from 30% in 2023/24). Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2024/25 programme funds totalled £2.37 million (2023/24: £1.99 million). Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

### **Unrestricted Grants**

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council. Although these funds account for a relatively small portion of Group turnover (10%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer.

### **General Fundraising**

In the 2024/25 financial year Watershed secured £151,825 (2024: £122,950) from fundraising through individual giving and private sponsorship.

### **Commercial sales - Café/bar and Conference**

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 30% of Group turnover in 2023/24, compared to 31% in 2023/24.

### **Cinema sales**

Cinema ticket sales accounted for 15% of Group turnover in 2024/25, compared to 16% of Group turnover in 2024/25.

### **Property Income**

Rental income received from Watershed's head lease tenancies continue to be applied to the charitable objectives of the Arts Trust. The property income in the year was 3% of the group turnover for 2024/25 (3% 2024/25).

### **Reserves policy**

Watershed's Reserves Policy is reviewed annually by trustees.

### **Overview**

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate financial challenges and the ability to invest in its future.

**Watershed Arts Trust Limited  
Trustees' Report (continued)**

In establishing the level of reserves appropriate to its business, Watershed has considered:

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

**Reserves**

Watershed reserves are split into the following funds:

**General Fund**

The General Fund ensures that Watershed has the funds to meet its obligations as they fall due in the event of a loss of income or the need to close. Our general reserves target is 3 months of Group operating costs, which amounts to £1.26m in 2025. As of March 31, 2025, Watershed's General Fund stood at £898,554. By the end of 2025/26, General Fund Reserves are estimated to increase to £1,493K, well above the target.

However, if Watershed was to cease current operations the Trustees will seek to realize the value of our real estate assets mindful of our obligations to tenants and secure the best available options to discharge Watershed's liability for ongoing costs for the building in the short and long term and meet our obligations to staff and suppliers.

The trustees are confident that in the event that Watershed had to wind up its business, the option of selling the Watershed building could generate sufficient funds to settle outstanding debts. In the event of an enforced closure, recent pandemic experiences suggest that approximately 50% of business operations could continue, allowing the General Fund to support the business for about 10 months.

**Designated Funds**

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds.

As at 31 March 2025, Watershed's reserves comprise\*:

|               |           |
|---------------|-----------|
| General fund  | £ 898,554 |
| Building fund | £ 33,010  |
| Total         | £ 931,564 |

\*Note – net current assets available at 31 March 2025 stand at £709,653.

Following the revaluation of the head lease in July 2019, accumulated depreciation charges have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

The new head lease valuation of £6,770,000 is represented as:

|                            |            |
|----------------------------|------------|
| Head lease designated fund | £5,504,856 |
| Capital designated fund    | £ 709,544  |
| Revaluation reserve        | £ 555,600  |
| Total                      | £6,770,000 |

These funds represent a tangible fixed asset from which Watershed operates, which are fundamental to the delivery of the business plan. They are therefore not included in Watershed's unrestricted reserves.

**Structure, governance and management**

Watershed is structured as a group of two companies, the parent company Watershed Arts Trust Limited and two wholly owned subsidiaries, Watershed Trading Limited. Watershed Ventures CIC was closed after the year end as it had not been active for some time. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality.

Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

The Board of Trustees, which governs the Charity, meets four times a year. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance. Watershed's Board of Trustees are volunteers and receive no remuneration.

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations. The Board review and approve changes to key management's remuneration.

**Watershed Arts Trust Limited  
Trustees' Report (continued)**

**Statement of Trustees' responsibilities**

The trustees, who are also directors of Watershed Arts Trust Limited for the purposes of company law, are responsible for preparing the Trustees' Report (incorporating the strategic report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees 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 of the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting 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 charitable company will continue in business.

The trustees are responsible for maintaining proper accounting records which 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.

**Watershed Arts Trust Limited  
Trustees' Report (continued)**

**Reference and administrative details**

Watershed Arts Trust Limited was incorporated as a company limited by guarantee on 19 January 1982. The company was registered with the charity commission on 18 March 1982. The wholly owned subsidiary Watershed Trading Limited was incorporated on 12 March 1982. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

The members of the Board of Trustees who served during the year and post year end and who constitute directors for Companies Act purposes are listed below.

|                          |   |
|--------------------------|---|
| Trustees:                | Stephen Gatfield, (Chair) appointed 27 <sup>th</sup> March '24<br>Kate Arthurs, (Secretary)<br>Sherrie Eugene Hart<br>Sidharth Sharma<br>Louise Goux Wirth<br>Charlotte Lester<br>Louise Davies, appointed 18 <sup>th</sup> June '25<br>Bashir Noor, appointed 18 <sup>th</sup> June '25<br>Daniella Jenkins, appointed 18 <sup>th</sup> June '25 |
| Trustee resignations:    | Louise deCordova, resigned 10 <sup>th</sup> October '24<br>James Touzel, resigned 4 <sup>th</sup> December '24<br>Tricia Tuttle, resigned 8 <sup>th</sup> February '25<br>Parys Gardener, resigned 10 <sup>th</sup> December '25  |
| Secretary:               | Kate Arthurs  |
| Chief Executive Officer: | Clare Reddington  |
| Charity number:          | 284188  |
| Company number:          | 01608779  |
| Registered Office:       | 1 Canon's Road, Harbourside, Bristol, BS1 5TX   |
| Auditors:                | AC Mole, Stafford House, Blackbrook Park Ave, Taunton TA1 2PX   |
| Bankers:                 | HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA   |
| Solicitors:              | TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP  |

**Disclosure of information to auditors**

The Trustees who held office at the date of approval of this Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware, and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

By order of the Board



S Gatfield  
Chair of the Board

15 May 2026

1 Canon's Road  
Bristol  
BS1 5TX

**Watershed Arts Trust Limited**  
**Independent Auditor's Report to the Members of Watershed Arts Trust Limited**

**Opinion**

We have audited the financial statements of Watershed Arts Trust Limited (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable parent company's affairs as at 31 March 2025 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 responsibilities for the audit of the financial statements section of our report. We are independent of the group 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**

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or charitable parent company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

**Watershed Arts Trust Limited**  
**Independent Auditor's Report to the Members of Watershed Arts Trust Limited**  
**(continued)**

We have nothing to report in this regard.

**Opinion on other matter 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 Trustees' Annual Report which includes the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report (incorporating the strategic report) has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report (incorporating the strategic report).

We have nothing to report in respect of the following matters where 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 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.

**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 group and charitable 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 group and charitable company's or to cease operations, or have no realistic alternative but to do so.

**Auditor 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

**Watershed Arts Trust Limited**  
**Independent Auditor's Report to the Members of Watershed Arts Trust Limited**  
**(continued)**

**Identifying and assessing potential risks of material misstatement due to irregularities**

We consider the following when identifying and assessing risks of material misstatement due to irregularities, including fraud and non-compliance with laws and regulations:

- the legal and regulatory framework in which the charitable parent company and group operate
- the nature of the sector in which the charitable parent company and group operate
- the control environment and controls established to mitigate such risks
- the results of our enquiries of management about their identification and assessment of risks of irregularities.
- discussions with the audit engagement team about where fraud might occur
- The incentive for fraud

Laws and regulations which are considered to be significant to the charitable parent company and group include those relating to the requirements of financial reporting framework FRS102, the Charities Act 2011, the Companies Act 2006, UK tax legislation, employment law and health and safety. In addition, we consider other laws and regulation which may not directly impact the financial statements but may impact on the operation of the charitable parent company or group.

In accordance with International Auditing Standards we concluded that a risk in relation to the potential for management override of controls existed.

**Audit response to risks identified:**

We undertook audit procedures to respond to the risks identified, and designed our audit testing to respond to these risks. The additional procedures we undertook included the following.

- Gaining an understanding of the charitable parent company and group's procedures for ensuring compliance with laws and regulations
- testing the appropriateness of journal entries and other adjustments
- considering whether accounting estimates were indicative of potential bias
- considering whether any transactions arose outside the normal course of business.
- making enquiries of management
- corroborating our enquires through review of Board minutes and correspondence

We also communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the charitable parent company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the trustees 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 parent company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Watershed Arts Trust Limited**  
**Independent Auditor's Report to the Members of Watershed Arts Trust Limited**  
**(continued)**

*Alexandra Shore*

.....  
Alexandra Shore FCA DChA (Senior Statutory Auditor)  
For and on behalf of A C Mole LLP, Statutory Auditor

Stafford House  
Blackbrook Park Avenue  
Taunton  
TA1 2PX

Date: *15 May 2026*

**Watershed Arts Trust Limited**  
**Consolidated Statement of Financial Activities for the Year Ended 31 March 2025**  
**(Including Consolidated Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**

|                                | Note | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2025<br>£      |
|--------------------------------|------|----------------------------|--------------------------|-------------------------|
| <b>Income</b>                  |      |                            |                          |                         |
| Donations and legacies         | 3    | 900,349                    | 20,180                   | 920,529                 |
| Other trading activities       |      | 2,162,507                  | -                        | 2,162,507               |
| Investment income              | 8    | 213,251                    | -                        | 213,251                 |
| Charitable activities          | 4    | <u>1,630,405</u>           | <u>2,565,967</u>         | <u>4,196,372</u>        |
| Total income                   |      | <u>4,906,512</u>           | <u>2,586,147</u>         | <u>7,492,659</u>        |
| <b>Expenditure</b>             |      |                            |                          |                         |
| Raising funds                  | 9    | (1,745,516)                | -                        | (1,745,516)             |
| Charitable activities          | 10   | <u>(3,352,643)</u>         | <u>(2,586,147)</u>       | <u>(5,938,790)</u>      |
| Total expenditure              |      | <u>(5,098,159)</u>         | <u>(2,586,147)</u>       | <u>(7,684,306)</u>      |
| Net expenditure                |      | (191,647)                  | -                        | (191,647)               |
| Transfers between funds        |      | <u>147,098</u>             | <u>(147,098)</u>         | <u>-</u>                |
| Net movement in funds          |      | (44,549)                   | (147,098)                | (191,647)               |
| <b>Reconciliation of funds</b> |      |                            |                          |                         |
| Total funds brought forward    |      | <u>7,746,113</u>           | <u>1,164,975</u>         | <u>8,911,088</u>        |
| Total funds carried forward    | 26   | <u><u>7,701,564</u></u>    | <u><u>1,017,877</u></u>  | <u><u>8,719,441</u></u> |

The notes on pages 18 to 48 form an integral part of these financial statements.

**Watershed Arts Trust Limited**  
**Consolidated Statement of Financial Activities for the Year Ended 31 March 2025**  
**(continued)**  
**(Including Consolidated Income and Expenditure Account and Statement of Total Recognised Gains and Losses)**

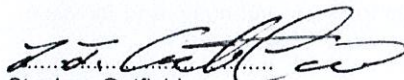
|  | Note | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>2024<br>£      |
|--|------|----------------------------|--------------------------|-------------------------|
| <b>Income</b>                            |      |                            |                          |                         |
| Donations and legacies                   | 3    | 934,934                    | -                        | 934,934                 |
| Other trading activities                 |      | 2,043,943                  | -                        | 2,043,943               |
| Investment income                        | 8    | 200,135                    | -                        | 200,135                 |
| Charitable activities                    | 4    | <u>1,386,049</u>           | <u>1,990,019</u>         | <u>3,376,068</u>        |
| Total income                             |      | <u>4,565,061</u>           | <u>1,990,019</u>         | <u>6,555,080</u>        |
| <b>Expenditure</b>                       |      |                            |                          |                         |
| Raising funds                            | 9    | (1,532,813)                | -                        | (1,532,813)             |
| Charitable activities                    | 10   | <u>(2,950,472)</u>         | <u>(1,990,019)</u>       | <u>(4,940,491)</u>      |
| Total expenditure                        |      | (4,483,285)                | (1,990,019)              | (6,473,304)             |
| Net (losses) on investments              |      | <u>(428,600)</u>           | -                        | <u>(428,600)</u>        |
| Net (expenditure) before transfers       |      | (346,824)                  | -                        | (346,824)               |
| Transfers between funds                  |      | 168,075                    | (168,075)                | -                       |
| <b>Other recognised gains and losses</b> |      |                            |                          |                         |
| (Losses) on revaluation of fixed assets  |      | <u>(451,400)</u>           | -                        | <u>(451,400)</u>        |
| Net movement in funds                    |      | (630,149)                  | (168,075)                | (798,224)               |
| <b>Reconciliation of funds</b>           |      |                            |                          |                         |
| Total funds brought forward              |      | <u>8,376,262</u>           | <u>1,333,050</u>         | <u>9,709,312</u>        |
| Total funds carried forward              | 26   | <u><u>7,746,113</u></u>    | <u><u>1,164,975</u></u>  | <u><u>8,911,088</u></u> |

The notes on pages 18 to 48 form an integral part of these financial statements.

**Watershed Arts Trust Limited**  
**(Registration number: 01608779)**  
**Balance Sheet as at 31 March 2025**

|  | Note | 2025<br>£          | 2024<br>£        |
|--|------|--------------------|------------------|
| <b>Fixed assets</b>  |      |                    |                  |
| Tangible assets  | 15   | 4,726,087          | 4,833,549        |
| Investments  | 16   | <u>3,348,001</u>   | <u>3,348,001</u> |
|  |      | <u>8,074,088</u>   | <u>8,181,550</u> |
| <b>Current assets</b>  |      |                    |                  |
| Debtors  | 18   | 932,308            | 647,688          |
| Cash at bank and in hand                                       |      | <u>517,244</u>     | <u>570,593</u>   |
|  |      | 1,449,552          | 1,218,281        |
| <b>Creditors: Amounts falling due within one year</b>          | 19   | <u>(1,040,516)</u> | <u>(867,568)</u> |
| <b>Net current assets</b>                                      |      | <u>409,036</u>     | <u>350,713</u>   |
| <b>Total assets less current liabilities</b>                   |      | 8,483,124          | 8,532,263        |
| <b>Creditors: Amounts falling due after more than one year</b> | 20   | <u>(29,690)</u>    | <u>(29,690)</u>  |
| <b>Net assets</b>  |      | <u>8,453,434</u>   | <u>8,502,573</u> |
| <b>Unrestricted funds</b>                                      |      |                    |                  |
| Unrestricted funds   |      | 632,547            | 470,144          |
| British Film Industry designated funds                         |      | -                  | 64,444           |
| Building fund  |      | 33,010             | 33,010           |
| Head lease unrestricted designated fund                        |      | 5,504,856          | 5,504,856        |
| Capital unrestricted designated fund                           |      | 709,544            | 709,544          |
| Revaluation reserve (head lease)                               |      | 555,600            | 555,600          |
| <b>Restricted funds</b>  |      |                    |                  |
| Restricted capital funds                                       |      | <u>1,017,877</u>   | <u>1,164,975</u> |
| <b>Total funds</b>   | 26   | <u>8,453,434</u>   | <u>8,502,573</u> |

The financial statements on pages 13 to 48 were approved by the trustees, and authorised for issue on 15/5/26 and signed on their behalf by:

  
 Stephen Gatfield  
 Chair of the Board

The notes on pages 18 to 48 form an integral part of these financial statements.

**Watershed Arts Trust Limited**  
**(Registration number: 01608779)**  
**Consolidated Balance Sheet as at 31 March 2025**

|  | Note | 2025<br>£          | 2024<br>£          |
|--|------|--------------------|--------------------|
| <b>Fixed assets</b>  |      |                    |                    |
| Tangible assets  | 15   | 4,746,447          | 4,855,732          |
| Investments  | 16   | <u>3,297,900</u>   | <u>3,297,900</u>   |
|  |      | <u>8,044,347</u>   | <u>8,153,632</u>   |
| <b>Current assets</b>  |      |                    |                    |
| Stocks   | 17   | 22,809             | 18,101             |
| Debtors  | 18   | 657,171            | 558,396            |
| Cash at bank and in hand                                       |      | <u>1,270,227</u>   | <u>1,291,020</u>   |
|  |      | 1,950,207          | 1,867,517          |
| <b>Creditors: Amounts falling due within one year</b>          | 19   | <u>(1,240,554)</u> | <u>(1,076,816)</u> |
| <b>Net current assets</b>                                      |      | <u>709,653</u>     | <u>790,701</u>     |
| <b>Total assets less current liabilities</b>                   |      | 8,754,000          | 8,944,333          |
| <b>Creditors: Amounts falling due after more than one year</b> | 20   | (29,690)           | (29,690)           |
| <b>Provisions</b>  | 23   | <u>(4,869)</u>     | <u>(3,555)</u>     |
| <b>Net assets</b>  |      | <u>8,719,441</u>   | <u>8,911,088</u>   |
| <b>Unrestricted funds</b>                                      |      |                    |                    |
| Unrestricted funds   |      | 898,554            | 878,659            |
| British Film Industry designated fund                          |      | -                  | 64,444             |
| Building fund  |      | 33,010             | 33,010             |
| Head lease unrestricted designated fund                        |      | 5,504,856          | 5,504,856          |
| Capital unrestricted designated funds                          |      | 709,544            | 709,544            |
| Revaluation reserve (head lease)                               |      | 555,600            | 555,600            |
| <b>Restricted funds</b>  |      |                    |                    |
| Restricted capital funds                                       |      | <u>1,017,877</u>   | <u>1,164,975</u>   |
| <b>Total funds</b>   | 26   | <u>8,719,441</u>   | <u>8,911,088</u>   |

The financial statements on pages 13 to 48 were approved by the trustees, and authorised for issue on 15/5/25 and signed on their behalf by:

  
 Stephen Gatfield  
 Chair of the Board

The notes on pages 18 to 48 form an integral part of these financial statements.

**Watershed Arts Trust Limited**  
**Consolidated Statement of Cash Flows for the Year Ended 31 March 2025**

|  | Note | 2025<br>£               | 2024<br>£               |
|--|------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>          |      |                         |                         |
| Net expenditure                                      |      | (191,647)               | (346,824)               |
| <b>Adjustments to cash flows from non-cash items</b> |      |                         |                         |
| Depreciation   | 15   | 225,939                 | 229,710                 |
| Investment income                                    | 8    | (213,251)               | (200,135)               |
| Revaluation of investments                           |      | -                       | 428,600                 |
|  |      | <u>(178,959)</u>        | <u>111,351</u>          |
| <b>Working capital adjustments</b>                   |      |                         |                         |
| Increase in stocks                                   | 17   | (4,708)                 | (1,448)                 |
| (Increase)/decrease in debtors                       | 18   | (98,775)                | 145,761                 |
| Increase in creditors                                | 19   | 163,738                 | 115,626                 |
| Increase in provisions                               | 23   | 1,314                   | 70                      |
| Net cash flows from operating activities             |      | <u>(117,390)</u>        | <u>371,360</u>          |
| <b>Cash flows from investing activities</b>          |      |                         |                         |
| Interest receivable and similar income               | 8    | 213,251                 | 200,135                 |
| Purchase of tangible fixed assets                    | 15   | (116,654)               | (129,424)               |
| Net cash flows from investing activities             |      | <u>96,597</u>           | <u>70,711</u>           |
| Net (decrease)/increase in cash and cash equivalents |      | (20,793)                | 442,071                 |
| Cash and cash equivalents at 1 April                 |      | <u>1,291,020</u>        | <u>848,949</u>          |
| Cash and cash equivalents at 31 March                |      | <u><u>1,270,227</u></u> | <u><u>1,291,020</u></u> |

The notes on pages 18 to 48 form an integral part of these financial statements.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025**

**1 Charity status**

The charity is limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

The address of its registered office is:

1 Canon's Road  
Harbourside  
Bristol  
BS1 5TX

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless stated otherwise within these notes. 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)) (issued in October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Watershed Arts Trust Limited meets the definition of a public benefit entity under FRS 102.

**Basis of consolidation**

These financial statements consolidate the results of the charity and its wholly owned subsidiaries on a line-by-line basis. All intra-group transactions are eliminated on consolidation.

No statement of financial activities is presented for the charity as permitted by section 408 of the Companies Act 2006. The charity made a loss after tax for the financial year of £49,139 (2024 - loss of £981,020).

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

**Going concern**

The company and group have experienced significant challenges due to the impact of the Covid-19 pandemic on its operations and financial performance. However, we are currently witnessing a gradual recovery in trading and revenue growth. Throughout the recover phase, the management has taken several proactive measures to enhance financial resilience, including implementing cost containment initiatives and optimising cash flow management. While there are ongoing uncertainties, we believe the company's going concern assumption is appropriate, given the positive indicators of recovery and the steps taken to ensure operational sustainability.

Watershed's core funding from Arts Council England and Bristol City Council continued as did the project funding for areas of our creative programme. Watershed's technical resource and expertise enabled these activities to continue operating in a digital environment, which presents opportunities for the future as Watershed assesses new ways of delivering its programmes and impact in a changing operating environment.

Budget and cashflow forecasts undertaken throughout the year indicates that the Watershed Group will maintain sufficient cashflow throughout 2025/26 and continue operating without impediment for the foreseeable future.

The financial statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

**Income**

**Voluntary income**

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions are met, the amount can be measured reliably, and in line with the timing implied by any multi-period grant agreements.

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non-specific revenue grants which support core activities are categorised as voluntary income.

Revenue grants received for specific creative projects are also categorised as income from charitable activities.

Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

**Donations and legacies**

Donations are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance by the charity before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that these conditions will be fulfilled in the reporting period.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

**Donated services and facilities**

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements as value to the charity, at an estimate provided by the donors.

**Investment income**

Investment income is recognised when receivable.

**Charitable activities**

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met.

Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit cards and is accounted for on a receipts basis. Turnover in respect of the conferencing activities is accounted for on the receivable basis with income recognised in the profit and loss account for conferences completed in the current accounting period.

Non-refundable deposits received in respect of conferences in the next accounting period are held as deferred income in creditors on the balance sheet.

**Expenditure**

All expenditure is accounted for on an accrual basis. Costs directly attributable to a specific expense heading are allocated to that heading. Expenditure is recognised when a liability is incurred: costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds; charitable activities include expenditure associated with the cinema exhibition programme and digital studio programmes and include both the direct costs and support costs relating to these activities; governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements; support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., allocating property costs by floor areas, staff costs by the time spent and other costs by their usage.

**Raising funds**

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

**Taxation**

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax. The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**Tangible fixed assets**

Fixed assets are carried at historic cost, less accumulated depreciation, except for the head lease which is carried at fair value. Any movements in fair value are recognised in the Statement of Financial Activity in the year in which they occur. Details of how fair value has been determined are set out in Note 11.

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

**Depreciation and amortisation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| <b>Asset class</b>     | <b>Depreciation method and rate</b> |
|------------------------|-------------------------------------|
| Furniture and fittings | 10%-20% per annum                   |
| Plant and equipment    | 10%-33% per annum                   |
| Leasehold improvements | 10-25 years straight line basis     |

**Investment properties**

Investment properties are carried at fair value. Any movements in fair value are recognised in the Statement of Financial Activity in the year in which they occur. Details of how fair value has been determined are set out in Note 16.

**Investments in Subsidiary Undertakings (parent only)**

Investments in subsidiaries undertaking in the charitable company are stated at cost. Details of subsidiary undertakings owned by the charity are disclosed in notes 6 and 7.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Provisions**

Provisions are recognised when the charity has an obligation at the reporting date as a result of a past event, it is probable that the charity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

**Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

**Fund accounting**

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

***Unrestricted funds***

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity. In addition to expenditure on the principal activities of the Trust, such funds may be held in order to finance capital investment and working capital.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

***Restricted funds***

These funds are earmarked by the donor for specific purposes. Grant income received to fund capital expenditure is held in restricted funds. The balance is transferred to unrestricted funds in future years at the same rates as to match the depreciation charges of the related assets. Revenue funds restricted by the donor are matched against expenditure as appropriate.

***Designated funds***

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

**Head Lease**

The head lease is a mixed-use property under Paragraph 10.47 of the Charities SORP. Units which are leased to third party tenants on commercial terms are shown as investment property. Units which are occupied by the charity are classified as tangible fixed assets.

**Leases**

Operating lease rentals are charged to the statement of financial activities on a straight-line basis over the period of the lease.

**Stocks**

Stocks are stated at the lower of cost and net realisable value, where cost is determined with reference to current prices. Stocks are assumed to be on a first in first out basis.

**Financial instruments**

***Recognition and measurement***

The charity and group only enters into basic financial instruments. Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the Instrument.

**Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**2 Accounting policies (continued)**

**Basic financial liabilities**

Basic financial liabilities, including trade creditors, other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as "creditors: amounts falling due after more than one year". Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Critical accounting judgements and estimation uncertainty**

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may not translate to actual future outcomes. The Trustees consider that the following critical accounting estimates and judgements have a significant risk of causing a material adjustment in future periods:

**Valuation of head lease (investment property and fixed assets)**

The head lease is a mixed-use property. Units which are rented to third parties on commercial terms, are classified as investment property, units which are occupied by the charity are classified as tangible fixed assets.

The Trustees have engaged the services of Carter Baynes to assist in determining the fair value of the head lease. Details of the valuation is set out in Note 15.

In the event of disposal, the actual value of the lease could be materially different to this estimate.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**3 Income from donations and legacies**

|   | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2025<br/>£</b> |
|---|-------------------------------------|-----------------------------------|-----------------------------|
| Donations                                       | 142,365                             | 20,180                            | 162,545                     |
| Arts Council England - National Portfolio funds | 757,984                             | -                                 | 757,984                     |
|   | <u>900,349</u>                      | <u>20,180</u>                     | <u>920,529</u>              |
|   | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2024<br/>£</b> |
| Donations                                       | 122,950                             | -                                 | 122,950                     |
| Arts Council England - National Portfolio funds | 757,984                             | -                                 | 757,984                     |
| Bristol City Council - Key Arts Provider funds  | 54,000                              | -                                 | 54,000                      |
|   | <u>934,934</u>                      | <u>-</u>                          | <u>934,934</u>              |

**4 Income from charitable activities**

|                                      | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2025<br/>£</b> |
|--------------------------------------|-------------------------------------|-----------------------------------|-----------------------------|
| Earned income from cinema activities | 1,204,030                           | -                                 | 1,204,030                   |
| Service charges                      | 140,142                             | 49,250                            | 189,392                     |
| Other earned income                  | 286,233                             | 150,277                           | 436,510                     |
| Programme funding                    | -                                   | 2,366,440                         | 2,366,440                   |
|                                      | <u>1,630,405</u>                    | <u>2,565,967</u>                  | <u>4,196,372</u>            |
|                                      | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2024<br/>£</b> |
| Earned income from cinema activities | 1,042,294                           | -                                 | 1,042,294                   |
| Service charges                      | 161,413                             | -                                 | 161,413                     |
| Other earned income                  | 182,342                             | -                                 | 182,342                     |
| Programme funding                    | -                                   | 1,990,019                         | 1,990,019                   |
|                                      | <u>1,386,049</u>                    | <u>1,990,019</u>                  | <u>3,376,068</u>            |

**5 Financial activities of the charity**

A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented as it has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

For the parent charity net movement in funds for the year is a deficit of £49,139 (2024: deficit of £981,020).

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**6 Trading subsidiary's results (Watershed Trading Limited)**

|   | <b>2025</b>           | <b>2024</b>           |
|---|-----------------------|-----------------------|
|   | <b>£</b>              | <b>£</b>              |
| Turnover  | 2,212,815             | 2,043,943             |
| Cost of sales                                       | <u>(1,664,224)</u>    | <u>(1,369,215)</u>    |
| <b>Gross profit</b>                                 | 548,591               | 674,728               |
| Administration and other costs                      | <u>(52,610)</u>       | <u>(106,239)</u>      |
| <b>Net income</b>                                   | 495,981               | 568,489               |
| Other operating income                              | 10,448                | -                     |
| Gift aid payment to Watershed Arts Trust Limited    | (393,029)             | (158,403)             |
| Management charge from Watershed Arts Trust Limited | <u>(255,726)</u>      | <u>(226,676)</u>      |
| <b>(Loss)/profit for the year</b>                   | (142,326)             | 183,410               |
| Tax on profit                                       | (1,314)               | -                     |
| Retained profit brought forward                     | <u>401,558</u>        | <u>218,148</u>        |
| <b>Retained profit carried forward</b>              | <u><u>257,918</u></u> | <u><u>401,558</u></u> |

The assets and liabilities of the subsidiary were:

|  | <b>2025</b>           | <b>2024</b>           |
|--|-----------------------|-----------------------|
|  | <b>£</b>              | <b>£</b>              |
| Fixed Assets                                   | 20,360                | 22,183                |
| Current Assets                                 | 854,901               | 818,667               |
| Creditors: amounts falling due within one year | (612,374)             | (435,637)             |
| Provisions for liabilities and charges         | <u>(4,869)</u>        | <u>(3,555)</u>        |
| <b>Net assets</b>                              | <u>258,018</u>        | <u>401,658</u>        |
| <b>Equity shareholders' funds</b>              | <u><u>258,018</u></u> | <u><u>401,658</u></u> |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**7 Trading subsidiary's results (Watershed Ventures CIC)**

|  | 2025<br>£    | 2024<br>£    |
|--|--------------|--------------|
| <b>Gross profit</b>                    | -            | -            |
| Administration and other costs         | -            | (1,243)      |
| <b>Trading (loss)</b>                  | -            | (1,243)      |
| Other income                           | 1,132        | 1,006        |
| <b>Net profit/(loss)</b>               | 1,132        | (237)        |
| Retained profit brought forward        | 6,957        | 7,194        |
| <b>Retained profit carried forward</b> | <u>8,089</u> | <u>6,957</u> |

The assets and liabilities of the subsidiary were:

|  | 2025<br>£     | 2024<br>£     |
|--|---------------|---------------|
| Current assets                                 | 60,431        | 59,299        |
| Creditors: amounts falling due within one year | (2,341)       | (2,341)       |
| <b>Net assets</b>                              | <u>58,090</u> | <u>56,958</u> |
| <b>Equity shareholders' funds</b>              | <u>58,090</u> | <u>56,958</u> |

**8 Investment income**

|                       | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | Total<br>funds<br>£ |
|-----------------------|----------------------------|--------------------------|---------------------|
| Rental income         | 198,583                    | -                        | 198,583             |
| Interest receivable   | 14,668                     | -                        | 14,668              |
| <b>Total for 2025</b> | <u>213,251</u>             | <u>-</u>                 | <u>213,251</u>      |
| Rental income         | 198,832                    | -                        | 198,832             |
| Interest receivable   | 1,303                      | -                        | 1,303               |
| <b>Total for 2024</b> | <u>200,135</u>             | <u>-</u>                 | <u>200,135</u>      |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**9 Expenditure on raising funds**

**a) Costs of generating donations and legacies**

|                       | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>funds<br/>£</b> |
|-----------------------|-------------------------------------|-----------------------------------|------------------------------|
| Fundraising costs     | 27,368                              | -                                 | 27,368                       |
| <b>Total for 2025</b> | <u>27,368</u>                       | <u>-</u>                          | <u>27,368</u>                |
| Fundraising costs     | 57,359                              | -                                 | 57,359                       |
| <b>Total for 2024</b> | <u>57,359</u>                       | <u>-</u>                          | <u>57,359</u>                |

**b) Costs of trading activities**

|                               | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>funds<br/>£</b> |
|-------------------------------|-------------------------------------|-----------------------------------|------------------------------|
| Commercial trading operations | 1,718,148                           | -                                 | 1,718,148                    |
| <b>Total for 2025</b>         | <u>1,718,148</u>                    | <u>-</u>                          | <u>1,718,148</u>             |
| Commercial trading operations | 1,475,454                           | -                                 | 1,475,454                    |
| <b>Total for 2024</b>         | <u>1,475,454</u>                    | <u>-</u>                          | <u>1,475,454</u>             |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**10 Expenditure on charitable activities**

|  | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2025<br/>£</b> |
|--|-------------------------------------|-----------------------------------|-----------------------------|
| Operation of cinema, engagement and creative | 3,195,081                           | 2,586,147                         | 5,781,228                   |
| Property management costs                    | 157,562                             | -                                 | 157,562                     |
| CIC Operation                                | -                                   | -                                 | -                           |
|  | <u>3,352,643</u>                    | <u>2,586,147</u>                  | <u>5,938,790</u>            |
|  | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total<br/>2024<br/>£</b> |
| Operation of cinema, engagement and creative | 2,821,083                           | 1,990,019                         | 4,811,102                   |
| Property management costs                    | 128,146                             | -                                 | 128,146                     |
| CIC Operation                                | 1,243                               | -                                 | 1,243                       |
|  | <u>2,950,472</u>                    | <u>1,990,019</u>                  | <u>4,940,491</u>            |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**10 Expenditure on charitable activities (continued)**

**Operation of cinema, engagement and creative**

|   | <b>Audience<br/>Engagement<br/>Programme<br/>£</b> | <b>Creative<br/>technology<br/>and talent<br/>development<br/>costs<br/>£</b>    | <b>Total<br/>2025<br/>£</b> |
|---|--|--|-----------------------------|
| Cinema Screening - direct costs         | 1,139,065  | -  | 1,139,065                   |
| Direct programme/project costs          | 764,047  | 1,730,728  | 2,494,775                   |
| Arts programme management and marketing | 218,435  | 218,435  | 436,870                     |
| Premises costs                          | 478,697  | 88,111   | 566,808                     |
| General support costs                   | 651,820  | 162,955  | 814,775                     |
| Governance costs                        | 91,746   | 22,936   | 114,682                     |
| Depreciation                            | 171,403  | 42,850   | 214,253                     |
|   | <u>3,515,213</u>                                   | <u>2,266,015</u>   | <u>5,781,228</u>            |
|   |  | <b>Creative<br/>technology<br/>and talent<br/>development<br/>projects<br/>£</b> | <b>Total<br/>2024<br/>£</b> |
| Cinema Screening - direct costs         | 1,246,205  | -  | 1,246,205                   |
| Direct Programme/project costs          | 637,941  | 867,856  | 1,505,797                   |
| Arts programme management and marketing | 436,519  | 327,013  | 763,532                     |
| Premises costs                          | 410,305  | 217,032  | 627,337                     |
| General support costs                   | 259,486  | 64,871   | 324,357                     |
| Governance costs                        | 100,464  | 25,116   | 125,580                     |
| Depreciation                            | 174,635  | 43,659   | 218,294                     |
|   | <u>3,265,555</u>                                   | <u>1,545,547</u>   | <u>4,811,102</u>            |

Included in the above is restricted expenditure of £2,586,147 (2024: £1,990,019).

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**11 Analysis of support costs**

The Trust allocates its support costs between the two charitable activities undertaken (see note 10). Detailed allocation of support costs is shown below. Support costs are allocated on a basis consistent with the use of resources.

|                       | <b>Charitable activities</b> | <b>Fundraising costs</b> | <b>Governance</b> | <b>Total 2025</b> |
|-----------------------|------------------------------|--------------------------|-------------------|-------------------|
|                       | <b>£</b>                     | <b>£</b>                 | <b>£</b>          | <b>£</b>          |
| General office        | 492,395                      | 5,206                    | 12,833            | 510,434           |
| Finance office        | 306,963                      | 2,805                    | 60,081            | 369,849           |
| External audit        | -                            | -                        | 15,301            | 15,301            |
| Professional services | 15,417                       | -                        | 26,467            | 41,884            |
| Fundraiser costs      | -                            | 19,357                   | -                 | 19,357            |
|                       | <u>814,775</u>               | <u>27,368</u>            | <u>114,682</u>    | <u>956,825</u>    |

|                       | <b>Charitable activities</b> | <b>Fundraising costs</b> | <b>Governance</b> | <b>Total 2024</b> |
|-----------------------|------------------------------|--------------------------|-------------------|-------------------|
|                       | <b>£</b>                     | <b>£</b>                 | <b>£</b>          | <b>£</b>          |
| General office        | 123,263                      | 2,312                    | 16,760            | 142,335           |
| Finance office        | 180,709                      | 2,387                    | 51,946            | 235,042           |
| External audit        | -                            | -                        | 36,878            | 36,878            |
| Professional services | 20,385                       | -                        | 19,996            | 40,381            |
| Fundraiser costs      | -                            | 52,660                   | -                 | 52,660            |
|                       | <u>324,357</u>               | <u>57,359</u>            | <u>125,580</u>    | <u>507,296</u>    |

**12 Net income/expenditure**

|  | <b>2025</b> | <b>2024</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Auditors' remuneration - audit services - group                  | 9,500       | 2,574       |
| Auditors' remuneration - audit services - charity                | 23,000      | 18,000      |
| Auditors' remuneration - non audit services - group              | 9,800       | -           |
| Auditors' remuneration - non audit services - charity            | 25,810      | -           |
| Depreciation and other amounts written off tangible fixed assets | 225,939     | 229,710     |
| Operating lease payments recognised as an expense                | 10,303      | 10,303      |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**13 Staff costs**

|                       | 2025<br>£        | 2024<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 3,287,670        | 2,674,572        |
| Social security costs | 299,815          | 232,739          |
| Pension costs         | 69,991           | 57,614           |
|                       | <u>3,657,476</u> | <u>2,964,925</u> |

The average headcount in the year for the group was 127 (2024: 118).

The monthly average number of persons (including senior management / leadership team) employed by the group during the year expressed as full time equivalents was as follows:

|                               | 2025<br>No | 2024<br>No |
|-------------------------------|------------|------------|
| Cultural engagement programme | 50         | 44         |
| Administration                | 12         | 13         |
| Trading                       | 30         | 27         |
|                               | <u>92</u>  | <u>84</u>  |

During the current and previous year, the Trustees were not paid any remuneration or reimbursed for expenses. No Trustees made a donation to the charity in the current or previous year.

Key management compensation in total for the year was £98,518 (2024: £95,650). The key management personnel of the charity comprises the Leadership Team and Extended Leadership Team. (2024: Key management personnel of the charity comprises of the Chief Executive Officer).

The number of employees whose emoluments fell within the following bands was:

|                   | 2025<br>No | 2024<br>No |
|-------------------|------------|------------|
| £80,001 - £90,000 | <u>2</u>   | <u>1</u>   |

**14 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activities to the extent that these relate to its charitable purposes.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**15 Tangible fixed assets**

| <b>Group</b>            | <b>Head lease<br/>£</b> | <b>Leasehold<br/>improvements<br/>£</b> | <b>Furniture and<br/>equipment<br/>£</b> | <b>Total<br/>£</b> |
|-------------------------|-------------------------|---|--|--------------------|
| <b>Cost</b>             |                         |   |  |                    |
| At 1 April 2024         | 3,472,100               | 3,671,501                               | 1,559,442                                | 8,703,043          |
| Additions               | -                       | 26,059                                  | 90,595                                   | 116,654            |
| Disposals               | -                       | -                                       | (12,123)                                 | (12,123)           |
| At 31 March 2025        | <u>3,472,100</u>        | <u>3,697,560</u>                        | <u>1,637,914</u>                         | <u>8,807,574</u>   |
| <b>Depreciation</b>     |                         |   |  |                    |
| At 1 April 2024         | -                       | 2,370,359                               | 1,476,952                                | 3,847,311          |
| Charge for the year     | -                       | 151,963                                 | 73,976                                   | 225,939            |
| Eliminated on disposals | -                       | -                                       | (12,123)                                 | (12,123)           |
| At 31 March 2025        | <u>-</u>                | <u>2,522,322</u>                        | <u>1,538,805</u>                         | <u>4,061,127</u>   |
| <b>Net book value</b>   |                         |   |  |                    |
| At 31 March 2025        | <u>3,472,100</u>        | <u>1,175,238</u>                        | <u>99,109</u>                            | <u>4,746,447</u>   |
| At 31 March 2024        | <u>3,472,100</u>        | <u>1,301,142</u>                        | <u>82,490</u>                            | <u>4,855,732</u>   |

In March 2007 Watershed purchased the long leasehold head lease to E & W sheds for its unexpired term of 111 3/4 years. The final price paid was £5.95 million. In 2019/20, the total value of the head lease was revalued at a market value of £7,650,000.

The Trustees instructed Carter Baynes (Chartered Surveyors) to provide a valuation of the market (fair) value of the head lease at 31 March 2024. The valuation was carried out in accordance with the RICS Valuation - Global Standards January 2022 and the UK national supplement ("The Red Book").

The Trustees consider the March 2024 valuation remains appropriate as at 31 March 2025.

The total valuation of the head lease at 31 March 2025 was £6,770,000 of which £3,472,100 is categorised as tangible fixed assets (occupied by the charity) and £3,297,900 as investment property which is rented to third parties on commercial terms.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**15 Tangible fixed assets (continued)**

**Charity**

|                         | Head lease<br>£  | Leasehold<br>improvements<br>£ | Furniture and<br>equipment<br>£ | Total<br>£       |
|-------------------------|------------------|--------------------------------|---------------------------------|------------------|
| <b>Cost</b>             |                  |                                |                                 |                  |
| At 1 April 2024         | 3,472,100        | 3,671,501                      | 1,405,367                       | 8,548,968        |
| Additions               | -                | 26,059                         | 80,732                          | 106,791          |
| Disposals               | -                | -                              | (12,123)                        | (12,123)         |
| At 31 March 2025        | <u>3,472,100</u> | <u>3,697,560</u>               | <u>1,473,976</u>                | <u>8,643,636</u> |
| <b>Depreciation</b>     |                  |                                |                                 |                  |
| At 1 April 2024         | -                | 2,370,359                      | 1,345,060                       | 3,715,419        |
| Charge for the year     | -                | 151,963                        | 62,290                          | 214,253          |
| Eliminated on disposals | -                | -                              | (12,123)                        | (12,123)         |
| At 31 March 2025        | <u>-</u>         | <u>2,522,322</u>               | <u>1,395,227</u>                | <u>3,917,549</u> |
| <b>Net book value</b>   |                  |                                |                                 |                  |
| At 31 March 2025        | <u>3,472,100</u> | <u>1,175,238</u>               | <u>78,749</u>                   | <u>4,726,087</u> |
| At 31 March 2024        | <u>3,472,100</u> | <u>1,301,142</u>               | <u>60,307</u>                   | <u>4,833,549</u> |

**16 Fixed asset investments**

**Group**

|                       | 2025<br>£        | 2024<br>£        |
|-----------------------|------------------|------------------|
| Investment properties | <u>3,297,900</u> | <u>3,297,900</u> |

**Investment properties**

|                          | Investment<br>properties<br>£ |
|--------------------------|-------------------------------|
| <b>Cost or Valuation</b> |                               |
| At 1 April 2024          | <u>3,297,900</u>              |
| At 31 March 2025         | <u>3,297,900</u>              |
| <b>Net book value</b>    |                               |
| At 31 March 2025         | <u>3,297,900</u>              |
| At 31 March 2024         | <u>3,297,900</u>              |

**Charity**

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**16 Fixed asset investments (continued)**

|                             | <b>2025</b>             | <b>2024</b>             |
|-----------------------------|-------------------------|-------------------------|
|                             | <b>£</b>                | <b>£</b>                |
| Investment properties       | 3,297,900               | 3,297,900               |
| Investments in subsidiaries | <u>50,101</u>           | <u>50,101</u>           |
|                             | <u><u>3,348,001</u></u> | <u><u>3,348,001</u></u> |

**Investment properties**

|                          | <b>Investment properties</b> |
|--------------------------|------------------------------|
|                          | <b>£</b>                     |
| <b>Cost or Valuation</b> |                              |
| At 1 April 2024          | <u>3,297,900</u>             |
| <b>Provision</b>         |                              |
| At 31 March 2025         | <u>-</u>                     |
| <b>Net book value</b>    |                              |
| At 31 March 2025         | <u><u>3,297,900</u></u>      |
| At 31 March 2024         | <u><u>3,297,900</u></u>      |

**Investments in Subsidiaries**

The above shares represent equity investments in group undertakings.

The company owns 100% of the issued share capital of Watershed Trading Limited (company registration number: 01621620), a company incorporated in England and Wales. The principal activities of this company are the operation of the café/bar, and conference facilities at Watershed.

The company owns 100% of the issued share capital of Watershed Ventures CIC (company registration number: 06097013), a company incorporated in England and Wales. The company is dormant and was dissolved after the year end on 12 August 2025.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**17 Stocks**

|                                     | Group     |           | Charity   |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
|                                     | 2025<br>£ | 2024<br>£ | 2025<br>£ | 2024<br>£ |
| Finished goods and goods for resale | 22,809    | 18,101    | -         | -         |

**18 Debtors**

|                             | Group          |                | Charity        |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2025<br>£      | 2024<br>£      | 2025<br>£      | 2024<br>£      |
| Trade debtors               | 363,408        | 218,994        | 224,814        | 82,331         |
| Due from group undertakings | -              | -              | 414,680        | 228,729        |
| Prepayments                 | 84,603         | 189,778        | 83,787         | 187,004        |
| Accrued income              | 205,058        | 141,395        | 204,925        | 141,395        |
| Other debtors               | 4,102          | 8,229          | 4,102          | 8,229          |
|                             | <u>657,171</u> | <u>558,396</u> | <u>932,308</u> | <u>647,688</u> |

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

|                                    | Group            |                  | Charity          |                |
|------------------------------------|------------------|------------------|------------------|----------------|
|                                    | 2025<br>£        | 2024<br>£        | 2025<br>£        | 2024<br>£      |
| Trade creditors                    | 397,518          | 223,770          | 388,946          | 212,192        |
| Other taxation and social security | 74,157           | 72,291           | 52,906           | 57,730         |
| VAT                                | 102,593          | 84,876           | 16,861           | 218            |
| Other creditors                    | 119,370          | 73,335           | 72,367           | 45,842         |
| Accruals & deferred income         | 546,916          | 622,544          | 509,436          | 551,586        |
|                                    | <u>1,240,554</u> | <u>1,076,816</u> | <u>1,040,516</u> | <u>867,568</u> |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**19 Creditors: amounts falling due within one year (continued)**

Deferred income consists of deferred rent income, advanced cinema sales, and conference deposits. The balance at the year-end was:

**Deferred income**

|                                  | 2025                  | 2024                  |
|----------------------------------|-----------------------|-----------------------|
|                                  | £                     | £                     |
| <b>Charity</b>                   |                       |                       |
| Deferred income at 1 April       | 204,609               | 15,622                |
| Resources deferred in the period | <u>191,741</u>        | <u>188,987</u>        |
| Deferred income at year end      | <u><u>396,350</u></u> | <u><u>204,609</u></u> |

**20 Creditors: amounts falling due after one year**

|               | Group         |               | Charity       |               |
|---------------|---------------|---------------|---------------|---------------|
|               | 2025          | 2024          | 2025          | 2024          |
|               | £             | £             | £             | £             |
| Rent deposits | <u>29,690</u> | <u>29,690</u> | <u>29,690</u> | <u>29,690</u> |

The balance of £29,690 relates to rental deposits held in respect of tenancies to E&W Sheds.

The balance is wholly repayable within 5 years.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**21 Obligations under leases and hire purchase contracts**

**Operating lease commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

|                            | Group         |               | Charity       |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 2025<br>£     | 2024<br>£     | 2025<br>£     | 2024<br>£     |
| <b>Plant and equipment</b> |               |               |               |               |
| Within one year            | 11,996        | 10,306        | 11,996        | 10,306        |
| Between one and five years | 27,991        | 6,974         | 27,991        | 6,974         |
|                            | <u>39,987</u> | <u>17,280</u> | <u>39,987</u> | <u>17,280</u> |

**22 Operating leases as a lessor**

The future minimum lease payments under non-cancellable operating leases expected to be received by the Charity and Group are due to be received as follows:

|                            | 2025<br>Group and<br>Charity<br>leasehold<br>property<br>£ | 2024<br>Group and<br>Charity<br>leasehold<br>property<br>£ |
|----------------------------|--|--|
| Within one year            | 245,835  | 245,835  |
| Between one and five years | 492,469  | 691,057  |
|                            | <u>738,304</u>   | <u>936,892</u>   |

**23 Provisions**

**Group**

|                        | 2025<br>£    | 2024<br>£    |
|------------------------|--------------|--------------|
| At beginning of year   | 3,555        | 3,485        |
| Movement in year       | 1,314        | 70           |
| Deferred tax liability | <u>4,869</u> | <u>3,555</u> |

The charity has no deferred tax liabilities.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**24 Financial instruments**

The group and charity have the following financial instruments:

Financial instruments which are debt instruments measured at amortised cost

|                             | <b>Group<br/>2025<br/>£</b> | <b>Group<br/>2024<br/>£</b> | <b>Charity<br/>2025<br/>£</b> | <b>Charity<br/>2024<br/>£</b> |
|-----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors               | 363,408                     | 218,994                     | 224,814                       | 82,331                        |
| Due from group undertakings | -                           | -                           | 414,680                       | 228,729                       |
| Other debtors               | 4,102                       | 8,229                       | 4,102                         | 8,229                         |

Financial liabilities measured at amortised costs

|                 | <b>Group<br/>2025<br/>£</b> | <b>Group<br/>2024<br/>£</b> | <b>Charity<br/>2025<br/>£</b> | <b>Charity<br/>2024<br/>£</b> |
|-----------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade creditors | 397,518                     | 223,770                     | 388,946                       | 212,192                       |
| Other creditors | 296,120                     | 230,502                     | 142,134                       | 103,790                       |

**25 Pension and other schemes**

**Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the group to the scheme and amounted to £51,873 (2024 - £44,225).

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

| 26 Funds                         |                                 |                  |                    |                  |  |                                  |  |  |
|----------------------------------|---------------------------------|------------------|--------------------|------------------|--|----------------------------------|--|--|
| Group                            | Balance at 1<br>April 2024<br>£ | Income<br>£      | Expenditure<br>£   | Transfers<br>£   | Other<br>recognised<br>gains/(losses)<br>£ | Balance at 31<br>March 2025<br>£ |  |  |
| Unrestricted funds               | 878,659                         | 4,906,512        | (5,098,159)        | 211,542          | -  | 898,554                          |  |  |
| <b>Designated</b>                |                                 |                  |                    |                  |  |                                  |  |  |
| British film industry            | 64,444                          | -                | -                  | (64,444)         | -  | -                                |  |  |
| Building fund                    | 33,010                          | -                | -                  | -                | -  | 33,010                           |  |  |
| Head lease fund                  | 5,504,856                       | -                | -                  | -                | -  | 5,504,856                        |  |  |
| Capital fund                     | 709,544                         | -                | -                  | -                | -  | 709,544                          |  |  |
| Revaluation reserve (head lease) | 555,600                         | -                | -                  | -                | -  | 555,600                          |  |  |
| <b>Total unrestricted funds</b>  | <b>7,746,113</b>                | <b>4,906,512</b> | <b>(5,098,159)</b> | <b>147,098</b>   | <b>-</b>                                   | <b>7,701,564</b>                 |  |  |
| <b>Restricted funds</b>          |                                 |                  |                    |                  |  |                                  |  |  |
| ACE lease purchase grant         | 496,583                         | -                | -                  | (8,712)          | -  | 487,871                          |  |  |
| Garfield Weston capital grant    | 87,500                          | -                | -                  | (10,000)         | -  | 77,500                           |  |  |
| Other capital grants             | 580,892                         | -                | -                  | (128,386)        | -  | 452,506                          |  |  |
| Revenue grants                   | -                               | 2,586,147        | (2,586,147)        | -                | -  | -                                |  |  |
|                                  | <b>1,164,975</b>                | <b>2,586,147</b> | <b>(2,586,147)</b> | <b>(147,098)</b> | <b>-</b>                                   | <b>1,017,877</b>                 |  |  |
| <b>Total funds</b>               | <b>8,911,088</b>                | <b>7,492,659</b> | <b>(7,684,306)</b> | <b>-</b>         | <b>-</b>                                   | <b>8,719,441</b>                 |  |  |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**26 Funds (continued)**

|                                  | Balance at<br>1 April 2023<br>£ | Income<br>£      | Expenditure<br>£   | Transfers<br>£   | Other<br>recognised<br>gains/(losses)<br>£ | Balance at<br>31 March<br>2024<br>£ |
|----------------------------------|---------------------------------|------------------|--------------------|------------------|--|-------------------------------------|
| Unrestricted funds               | 693,252                         | 4,565,061        | (4,483,285)        | 103,631          | -  | 878,659                             |
| <b>Designated</b>                |                                 |                  |                    |                  |  |                                     |
| British film industry            | -                               | -                | -                  | 64,444           | -  | 64,444                              |
| Building fund                    | 33,010                          | -                | -                  | -                | -  | 33,010                              |
| Head lease fund                  | 5,504,856                       | -                | -                  | -                | -  | 5,504,856                           |
| Capital fund                     | 709,544                         | -                | -                  | -                | -  | 709,544                             |
| Revaluation reserve (head lease) | 1,435,600                       | -                | -                  | -                | (880,000)                                  | 555,600                             |
| <b>Total unrestricted funds</b>  | <u>8,376,262</u>                | <u>4,565,061</u> | <u>(4,483,285)</u> | <u>168,075</u>   | <u>(880,000)</u>                           | <u>7,746,113</u>                    |
| <b>Restricted funds</b>          |                                 |                  |                    |                  |  |                                     |
| ACE lease purchase grant         | 505,295                         | -                | -                  | (8,712)          | -  | 496,583                             |
| Garfield Weston capital grant    | 97,500                          | -                | -                  | (10,000)         | -  | 87,500                              |
| Other capital grants             | 730,255                         | -                | -                  | (149,363)        | -  | 580,892                             |
| Revenue grants                   | -                               | 1,990,019        | (1,990,019)        | -                | -  | -                                   |
|                                  | <u>1,333,050</u>                | <u>1,990,019</u> | <u>(1,990,019)</u> | <u>(168,075)</u> | <u>-</u>                                   | <u>1,164,975</u>                    |
| <b>Total funds</b>               | <u>9,709,312</u>                | <u>6,555,080</u> | <u>(6,473,304)</u> | <u>-</u>         | <u>(880,000)</u>                           | <u>8,911,088</u>                    |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**26 Funds (continued)**

**Charity**

|                                  | Balance at 1<br>April 2024<br>£ | Income<br>£      | Expenditure<br>£   | Transfers<br>£   | Balance at 31<br>March 2025<br>£ |
|----------------------------------|---------------------------------|------------------|--------------------|------------------|----------------------------------|
| Unrestricted funds               | 470,144                         | 3,381,180        | (3,430,319)        | 211,542          | 632,547                          |
| <b>Designated</b>                |                                 |                  |                    |                  |                                  |
| British film industry            | 64,444                          | -                | -                  | (64,444)         | -                                |
| Building fund                    | 33,010                          | -                | -                  | -                | 33,010                           |
| Head lease fund                  | 5,504,856                       | -                | -                  | -                | 5,504,856                        |
| Capital fund                     | 709,544                         | -                | -                  | -                | 709,544                          |
| Revaluation reserve (head lease) | 555,600                         | -                | -                  | -                | 555,600                          |
| <b>Total unrestricted funds</b>  | <b>7,337,598</b>                | <b>3,381,180</b> | <b>(3,430,319)</b> | <b>147,098</b>   | <b>7,435,557</b>                 |
| <b>Restricted funds</b>          |                                 |                  |                    |                  |                                  |
| ACE lease purchase grant         | 496,583                         | -                | -                  | (8,712)          | 487,871                          |
| Garfield Weston capital grant    | 87,500                          | -                | -                  | (10,000)         | 77,500                           |
| Other capital grants             | 580,892                         | -                | -                  | (128,386)        | 452,506                          |
| Revenue grants                   | -                               | 2,586,147        | (2,586,147)        | -                | -                                |
|                                  | <b>1,164,975</b>                | <b>2,586,147</b> | <b>(2,586,147)</b> | <b>(147,098)</b> | <b>1,017,877</b>                 |
| <b>Total funds</b>               | <b>8,502,573</b>                | <b>5,967,327</b> | <b>(6,016,466)</b> | <b>-</b>         | <b>8,453,434</b>                 |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**26 Funds (continued)**

|                                  | Balance at 1<br>April 2023<br>£ | Income<br>£             | Expenditure<br>£          | Transfers<br>£   | Other<br>recognised<br>gains/(losses)<br>£ | Balance at 31<br>March 2024<br>£ |
|----------------------------------|---------------------------------|-------------------------|---------------------------|------------------|--|----------------------------------|
| <b>Unrestricted funds</b>        |                                 |                         |                           |                  |  |                                  |
| <i>General</i>                   |                                 |                         |                           |                  |  |                                  |
| Unrestricted funds               | 467,533                         | 2,896,078               | (2,997,098)               | 103,631          | -  | 470,144                          |
| <i>Designated</i>                |                                 |                         |                           |                  |  |                                  |
| British film industry            | -                               | -                       | -                         | 64,444           | -  | 64,444                           |
| Building fund                    | 33,010                          | -                       | -                         | -                | -  | 33,010                           |
| Head lease fund                  | 5,504,856                       | -                       | -                         | -                | -  | 5,504,856                        |
| Capital fund                     | 709,544                         | -                       | -                         | -                | -  | 709,544                          |
| Revaluation reserve (head lease) | 1,435,600                       | -                       | -                         | -                | (880,000)                                  | 555,600                          |
| <b>Total unrestricted funds</b>  | <u>8,150,543</u>                | <u>2,896,078</u>        | <u>(2,997,098)</u>        | <u>168,075</u>   | <u>(880,000)</u>                           | <u>7,337,598</u>                 |
| <b>Restricted funds</b>          |                                 |                         |                           |                  |  |                                  |
| ACE lease purchase grant         | 505,295                         | -                       | -                         | (8,712)          | -  | 496,583                          |
| Garfield Weston capital grant    | 97,500                          | -                       | -                         | (10,000)         | -  | 87,500                           |
| Other capital grants             | 730,255                         | -                       | -                         | (149,363)        | -  | 580,892                          |
| Revenue grants                   | -                               | 1,990,019               | (1,990,019)               | -                | -  | -                                |
|                                  | <u>1,333,050</u>                | <u>1,990,019</u>        | <u>(1,990,019)</u>        | <u>(168,075)</u> | <u>-</u>                                   | <u>1,164,975</u>                 |
| <b>Total funds</b>               | <u><u>9,483,593</u></u>         | <u><u>4,886,097</u></u> | <u><u>(4,987,117)</u></u> | <u><u>-</u></u>  | <u><u>(880,000)</u></u>                    | <u><u>8,502,573</u></u>          |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**26 Funds (continued)**

Transfer to unrestricted income funds is in respect of the annual release to the SOFA in respect of capital grants. Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

**Designated Funds**

**British Film Industry**

Where British Film Industry income is unspent at the year end, the balance is transferred to a designated fund to ring-fence then unspent balance for the next year.

**Building Fund**

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

**Head lease Fund**

The head lease fund (£5,504,856) represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007.

**Capital Fund**

Following the re-evaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

**Revaluation Reserve**

The uplift in the value of the head lease (£555,600) is held in the Revaluation reserve.

These three funds represent the head lease valuation of £6,770,000 and therefore do not form part of the freely available reserves of the Trust.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**26 Funds (continued)**

**Restricted Funds**

**ACE Lease Purchase Grant**

Grant support from Arts Council England Stabilisation scheme to enable the Watershed's lease purchase has been transferred to deferred capital grants and is being taken to income funds over a period of 79 years to match the unexpired period of the lease.

**Garfield Weston capital grant**

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants. Since this project

has been delayed, the funds have now been approved for use in supporting the refurbishment of Watershed's first floor toilets into a fully inclusive facility and are being taken to income over the same period time as the depreciation of the assets it funds

**Other Restricted Capital Grants**

Grant support to fund historic refurbishments and construction which began in 2001 has been transferred to Other Restricted Capital Grants and is being taken to income over the same period of time (25 years) as the depreciation of the assets funded by the grants.

Donations specifically to support Watershed's capital development project (including support from Bristol City Council towards the costs of refurbishing Watershed's first floor toilets into a fully inclusive facility) have been transferred to deferred capital grants and will be taken to income over the same period as the depreciation of the assets they fund.

**Restricted Revenue Grants**

Revenue grants, including donated services and one-off grants for specific creative projects which are restricted by the donors are categorised income from charitable activities and spent in accordance with the donors' restrictions.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**27 Analysis of net assets between funds**

**Group**

|                         | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total funds<br/>at 31 March<br/>2025<br/>£</b> |
|-------------------------|-------------------------------------|-----------------------------------|---|
| Tangible fixed assets   | 3,728,570                           | 1,017,877                         | 4,746,447   |
| Fixed asset investments | 3,297,900                           | -                                 | 3,297,900   |
| Current assets          | 1,950,207                           | -                                 | 1,950,207   |
| Current liabilities     | (1,240,554)                         | -                                 | (1,240,554)                                       |
| Creditors over 1 year   | (29,690)                            | -                                 | (29,690)  |
| Provisions              | (4,869)                             | -                                 | (4,869)   |
| <b>Total net assets</b> | <u>7,701,564</u>                    | <u>1,017,877</u>                  | <u>8,719,441</u>                                  |
|                         | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total funds<br/>at 31 March<br/>2024<br/>£</b> |
| Tangible fixed assets   | 3,690,757                           | 1,164,975                         | 4,855,732   |
| Fixed asset investments | 3,297,900                           | -                                 | 3,297,900   |
| Current assets          | 1,867,517                           | -                                 | 1,867,517   |
| Current liabilities     | (1,076,816)                         | -                                 | (1,076,816)                                       |
| Creditors over 1 year   | (29,690)                            | -                                 | (29,690)  |
| Provisions              | (3,555)                             | -                                 | (3,555)   |
| <b>Total net assets</b> | <u>7,746,113</u>                    | <u>1,164,975</u>                  | <u>8,911,088</u>                                  |

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**27 Analysis of net assets between funds (continued)**

**Charity**

|                         | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total funds<br/>at 31 March<br/>2025<br/>£</b> |
|-------------------------|-------------------------------------|-----------------------------------|---|
| Tangible fixed assets   | 3,708,210                           | 1,017,877                         | 4,726,087   |
| Fixed asset investments | 3,348,001                           | -                                 | 3,348,001   |
| Current assets          | 1,449,552                           | -                                 | 1,449,552   |
| Current liabilities     | (1,040,516)                         | -                                 | (1,040,516)                                       |
| Creditors over 1 year   | (29,690)                            | -                                 | (29,690)  |
| <b>Total net assets</b> | <u><u>7,435,557</u></u>             | <u><u>1,017,877</u></u>           | <u><u>8,453,434</u></u>                           |
|                         | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>Total funds<br/>at 31 March<br/>2024<br/>£</b> |
| Tangible fixed assets   | 3,668,574                           | 1,164,975                         | 4,833,549   |
| Fixed asset investments | 3,348,001                           | -                                 | 3,348,001   |
| Current assets          | 1,218,281                           | -                                 | 1,218,281   |
| Current liabilities     | (867,568)                           | -                                 | (867,568)   |
| Creditors over 1 year   | (29,690)                            | -                                 | (29,690)  |
| <b>Total net assets</b> | <u><u>7,337,598</u></u>             | <u><u>1,164,975</u></u>           | <u><u>8,502,573</u></u>                           |

**28 Related party transactions**

During the year legal fees of £Nil (2024: £4,350) were paid to TLT LLP in respect of legal services provided to the Watershed Group. (James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP).

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in June 2016.

The Board has delegated authority to the Chief Executive Officer to instruct TLT LLP, or any other law firm, on matters where the total fee charged on that transaction does not exceed £10,000. Transactions above this limit are approved by the Board. James Touzel absents himself from any discussion of any proposal to instruct TLT LLP or to approve fee proposals submitted by TLT LLP.

During the year £600 (2024: £Nil) was paid to the National Film and Television School. A trustee of the charity is an employee of the National Film and Television School.

During the year £18,000 (2024: £2,985) was received from The Royal Shakespeare Company. A trustee of the charity is a trustee of The Royal Shakespeare Company.

**Watershed Arts Trust Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2025 (continued)**

**29 Post balance sheet events**

On 12 August 2025, Watershed Ventures CIC ceased to trade and the company was dissolved.

**30 Contingent liabilities**

After the year end an error was identified in the charity's approach to its partial exemption VAT calculation, which is likely to have resulted in an underpayment of VAT. At the date of approval of these financial statements the impact of this was not yet ascertained and therefore no provision has been included within these financial statements for any potential underpayment as no reliable estimate was available.

**THE WATERSHED ARTS TRUST LIMITED**

England & Wales - Charity number 284188

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# Accounts

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**Watershed Arts Trust Limited**  
**(a company limited by guarantee)**

Report of the Board and consolidated financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2024

**Contents**

|   |    |
|---|----|
| Strategic and Trustee’s Report .....  | 2  |
| Independent auditors’ report to the members of Watershed Arts Trust Limited.....                | 13 |
| Consolidated statement of financial activities (including an income & expenditure account) .... | 17 |
| Consolidated cash flow statement .....  | 18 |
| Consolidated and Company balance sheets.....  | 19 |
| Notes to the financial statements .....   | 20 |

## Strategic Report

| Our public programme...   | Our creative and talent development programmes...   | Our open, accessible and inclusive venue...  |
|---|---|--|
| <p>Provides audiences with a deep engagement to the global diversity of film culture.</p> <p>Connects artists and their work to audiences.</p> <p>Showcases new forms of media and storytelling and creative work in progress.</p> <p>Creates a public discourse around the future.</p> | <p>Connect creatives to each other to learn and share.</p> <p>Provide a home to over 200 creatives undertaking R&amp;D in The Pervasive Media Studio.</p> <p>Support artists, filmmakers, producers, curators, and exhibitors to develop and showcase their work in ways that are relevant and highly tailored to their needs.</p> <p>Support young people and emerging creatives of all ages to develop their vision and their career.</p> | <p>Provides a welcoming city centre hospitality offer.</p> <p>Provides a place for people and communities to meet, work and play.</p> <p>Centres a locally and thoughtfully sourced menu which caters to multiple tastes and needs.</p> <p>Is home to a wide range of conferences and events from industry to civil society.</p> |

## Values

Watershed's values and behaviours are authored with staff, audiences and partners:

- **Inclusive**  
We listen to and learn from our community, creating equity and addressing harm where it occurs
- **Transparent**  
We share our approach openly and clearly, working at a pace which enables everyone to participate who wishes to
- **Responsible**  
We use our resources generously and sustainably, considering our impact on future generations
- **Kind**  
We are careful and caring with ourselves and with others
- **Hopeful**  
We celebrate culture, creativity and wonder as paths to a better future

## Achievements and performance

- 2.2 million people visited us on the web.
- 498,500 people visited our building.
- 143,000 people bought tickets for our venue screenings and events.
- We screened 364 film titles, over 3,340 screenings.
- 36,090 people engaged with our online programme.
- 37,140 young people engaged with our programme.
- 7,625 people engaged with projects beyond the venue.
- 204 artists and creatives are resident in the Pervasive Media Studio.
- 90 full time equivalent jobs at Watershed
- Watershed Group turnover in 2023/24 was £6,556,990
- Pervasive Media Studio residents reported secured research funding in excess of £800K

## Strategic report (continued)

### Programme Highlights in 2023/24

Watershed's programme centres around twin pillars of cultural cinema and creative technology – with an increasing focus on the emerging overlaps between the two forms.

#### Connecting creatives to audiences through our venue/public programme

- Our cinemas screened 364 films (3,340 screenings) and hosted 60 Question and Answer panels (Q&A) with filmmakers.
- Cinema Rediscovered, our own film festival, took place in July 2023 attracting 5,763 attendees. It was followed by the Cinema Rediscovered tour which shared some of the films included in the festival at 38 cinemas across the UK.

*"A very special festival with a great vibe."* Cinema Rediscovered 2023 Attendee

#### Supporting creatives and organisations in ways that are relevant and highly tailored to their needs.

- 204 residents using arts & technology in their work were supported by the Pervasive Media Studio with free space & producer support.
- Our BFI NETWORK team supported 635 filmmakers with professional development opportunities & provided funding for 9 films/early development projects funded by BFI awarding funds from National Lottery.
- Six small companies were funded through Playable City Sandbox, 10 people received micro-fellowships as part of an Experimental Audio Camp with Real World Studios & 11 were awarded longer term fellowships with industry partners, funded by Bristol University's My World.
- Film Hub South West supported 1,896 screenings, of which 1,737 were specialised films – 91.6% reaching 57,729 overall audiences from 106 locations with the support of BFI awarding funds from National Lottery.

*"I just wanted to share my appreciation of your talent and how you are developing such a supported South West Filmmaking community and I can't wait to take what I learnt and develop my scripts into production having learnt so much from the workshop."* BFI NETWORK - Thinking Cinematically participant

*"Thanks so much for having me in a personal phase of change, it really means a lot. This year has been exceptionally challenging for me professionally, and it is very kind of you to have me in the space while I'm finding my next role. It gives me somewhere to be that feels really important and has definitely helped my mental health a lot."* Pervasive Media Studio resident

*"The Stroud Film Festival is creative, exciting, and really helps me value and understand films and filmmaking"*  
Film Hub South West backed Stroud Film Festival attendee

#### Curating talent pathways that enable artists and film makers across the world to develop meaningful and sustainable careers

- BFI Film Academy offered screenings, courses and opportunities to 1,204 young people.
- We hosted 12 monthly Make Shift meetups for those who are starting their career.
- We held 6 family workshops inspiring 62 children and their parents to be creative.
- 31 young people from 11 schools across Bristol took part in our work experience, to inspire careers in the creative sector.

*"I have always found the idea of networking really daunting but this has given me loads more confidence."* BFI Film Academy - Inside Screen attendee

### Strategic report (continued)

*"A huge thank you for putting on the whole work experience week. I've had a really great time, both working on my project and getting to know new people (which is not something I thought I'd say before this week!) Completing work experience has definitely above all else really improved my confidence, and my ability to access similar opportunities in the future."* Work Experience attendee

#### Centring ethics, inclusion and climate justice in our work

- Our Alternative Technologies: A Just Transition programme brought together 15 participants from across our work to examine technologies and their past, present and future role in climate justice (and breakdown) and explored what the alternatives could be.
- We offered our staff 'Recognising and Combatting White Supremacy' training with Martha Awojobi.
- Using the Carbon Literacy Training model, we've created our own course for our staff - over 70% of staff have received training and its now part of our induction.

*"At a time when organisations are struggling to instigate and effect change, being part of a programme that embraces experimental new methods and equity with nuance and care to enable an intergenerational and intercultural mix of participants to collectively explore how to address global issues fills me with hope."*  
Alternative Technologies: Just Transition participant

### 2023 - 2024 Organisational Priorities

Watershed's organisational priorities for 2023-2024 fell under themes of values and profitability:

#### Business Development

- Successful delivery of profitability work that resulted in substantial turnaround of finances.
- Collaborated with Critical Math to explore brand sponsorship offer.
- Rolled out Ticketsolve as Watershed's new box office system to enable us to make data driven commercial decisions for programming and cinema operations.

#### Programming

- Undertook foundational work to establish an organisation wide programming strategy with cross organisational themes.
- Undertook foundational work to establish R&D You Can See. A new public programme that seeks to engage the public in early-stage creative technology R&D through weekly talks, open studios, monthly networking events and showcasing/R&D testing in Watershed social spaces.
- Develop and announced Undershed immersive gallery, securing funding from the Arts and Humanities Research Council and BFI.

#### Environment

- Launched Watershed Wild and Generous – our vision for the future of our building.
- Created a system to capture emissions from travel in our carbon foot printing methodology

#### People

- Undertook foundational work to update all staff contracts. Final roll out is June 2024.
- Established coaching offer for staff members from minoritised backgrounds which has been taken up by 16 people.

#### Audiences

- We soft launched our access register in late 2023 and communicated this to our existing customers and audience who have signed up to our accessible newsletter. We will roll out more widely in July (when new box office system is bedded in)

### **Strategic report (continued)**

- Continue to reach new and underrepresented audiences with a new focus on those from lower socioeconomic backgrounds.
- We worked with new partners to reach underrepresented audiences including a partnership with Bristol Butch Bar for the Opening Night Party for Rose Glass's new film *Love Lies Bleeding*. Thanks to this partnership we welcomed new audiences from the LGBTQ+ community and reserved a portion of the tickets for those members of that community who were from lower socio-economic backgrounds.

"Made me feel welcome as a part of the LGBTQ+ community member"

"It was great to see a BSL welcome on the screen on arrival, and that the staff had some knowledge of BSL"

### **2024 - 2025 Organisational Priorities**

#### **Business planning**

We will undertake business planning for the next three years, including clarifying our vision and mission and taking a new approach to planning to deliver a clear & accessible plan with discreet areas of focus around café & bar, events, cinema and creative technology.

#### **Watershed Wild and Generous**

The Watershed building is in a bad state of repair, and we need to attract funding to carry out a detailed piece of work around how we can fix and retrofit it, with the aim of making it fit for the future and more environmentally sustainable. We also have a vision to transform the public spaces around us in innovative ways which we are calling Wild and Generous. We will secure funding to undertake a feasibility study to deliver a fully costed and timed plan for these two elements.

#### **Deliver new cinema and audience development strategy**

Cinema and communications have created new strategies to be more intentional about the aims of our programme, how we will reach new audiences and how we will make financial targets. The strategies will be brought together through a facilitated process – this will include a review of the relevant staff forums.

#### **Undershed**

We will open Undershed Immersive Gallery in Autumn 2024. We will also lead a new national network of immersive venues (if funding is secured).

#### **Finance Systems**

We will scope, identify and deliver new software systems and processes to improve efficiency and business reporting.

#### **Risk Management**

Effective risk management is crucial to Watershed thriving in the changeable environment in which it operates. Watershed's risk management strategy ensures that the organisation can:

- Maintain a resilient, flexible, and viable operation.
- Make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

Watershed's risk register identifies the key areas of risk the business faces, assesses the indicators, likelihood and impact of those risks and identifies the actions required in order to mitigate them should they arise.

### **Strategic report (continued)**

The risk register is created and regularly reviewed by the Board and the Executive team. Watershed's risk management strategy involves maintaining:

- Procedures to ensure early detection of identified and emergent risks.
- Regular monitoring of key performance indicators across the organisation
- Procedures to effectively mitigate identified risks.
- Procedures to minimise the impact on the organisation should identified risks materialise.

### **Principal risks and uncertainties**

Watershed's assessment of risk has been reviewed in light of the continuing challenging circumstance and the key risks facing the company have been identified as:

#### **Business Model**

- Trend analysis and historic data cannot be relied upon as patterns are changing.
- Increases in salary costs, services and purchasing and utilities.
- Public funding not increasing year on year to match inflation.
- Changing cinema context - Distributors reduce marketing spend which reduces audience reach, streamers buy up films and they don't get cinema release.

#### **People and Culture**

- Recruitment and retention of appropriate staff teams and talent
- Impact of cost-of-living crisis on mental health

#### **Building and Systems**

- Systems infrastructure with unreliable and unsupported legacy systems impacting operational efficiency.
- Financial reporting and planning failing to meet organisational need, due to poor financial systems and controls.
- Fall behind with critical building work or fixed asset replacement causing Facilities/equipment to be no longer fit for purpose or meet customer expectations.

#### **Values**

- Failure to meet our commitment to carbon neutral plan.
- Watershed causes harm to participants in programmes due to lack of diversity / understanding of structural ableism / understanding of structural racism.

For each of these risks, Watershed has in place indicators and mitigating actions to monitor, avoid, mitigate or transfer the impact of its principal risks and uncertainties. The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register.

### **Development (Fundraising)**

Watershed is committed to the highest fundraising standards and believes that it is important that all our fundraising activities are clear, open, honest, respectful, and compliant.

Watershed is registered with the Fundraising Regulator. We commit to its Fundraising Promise and follow its Code of Fundraising Practice. Watershed raise funds via multiple fundraising activities, including postal and digital appeals, events and fundraising that has been organised by others on our behalf. We ensure compliance with these standards by:

- Our Head of Development ensures that all those engaging in fundraising for Watershed are aware of the Code of Fundraising Practice and any updates.

### Strategic report (continued)

- Fundraising is conducted in line with our Fundraising Policy and supporters can raise an issue or complain about our fundraising activities as outlined in our Fundraising Feedback, Compliments and Complaints Policy.
- Fundraising complaints are monitored, recorded, and reported annually to the Fundraising Regulator by the Head of Development. There were no complaints or concerns received during the year.
- We value all our donors, no matter what they donate, will treat them fairly and with respect as well as being accountable for the resources given to us.
- We will not fundraise in a way which is an unreasonable intrusion on a person's privacy, is unreasonably persistent or places undue pressure on a person to donate.
- We will consider the needs of any possible donor who may be in vulnerable circumstances or need extra care and support to make an informed decision and will not take a donation if we believe this is appropriate.

### Financial review

#### Overview

The consolidated results set out on page 17 show a deficit of £798,224, for the year (2023: deficit of £456,873). The deficit on unrestricted funds for the year totalled £630,149 (2023: deficit of £560,750).

Before transfers between funds, Watershed showed an unrestricted deficit of £346,824. Our operating result was a profit of £81,776 although we were temporarily pulled into a deficit due to a revaluation of our building, reflecting the current challenges in the commercial property market. However, our core operations generated a profit and are expected to continue doing so in the future. Unrestricted income (excluding income from restricted programme funds) was £4.57 million during the year and unrestricted expenditure (excluding expenditure on restricted programme costs) was £4.48 million.

Overall, designated funds which support the creative activities have decreased by £880,000 in the year due to the revaluation of the Head Lease (2023: decrease of £103,306).

#### Subsidiary Company Results

The charity's wholly owned subsidiary, **Watershed Trading Limited**, continued to operate Watershed's café/bar and conference facilities.

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust and form a key part of the Watershed offer, providing a welcoming, open and inclusive meeting place for all to enjoy.

Watershed Trading Limited generated a profit before tax of £183,410 (2023: profit of £138,101). Donations were made through gift aid to the Charity, based upon the previous year's trading (2023: £158,403).

The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £1,451,458 (2023: £1,147,603)
- Conference sales generated £572,258 (2023: £430,297)

The charity's wholly owned subsidiary, Watershed Ventures CIC, did not carry out any activity in the current or previous year. In the year, Watershed Ventures CIC made no donations (2023: £nil) through gift aid to the Charity and generated a loss before tax of £237 (2023: loss of £591) and total revenue of £nil (2023: £nil).

No activity was undertaken by Watershed Ventures CIC in 2023/24 and no activity is currently planned for the 2024/25 financial year.

## **Strategic report (continued)**

### **Financial monitoring and control**

Watershed's financial systems enable early detection of potential problems allowing actions to be taken to mitigate any likely impact in a timely manner, including:

- A careful and prudent budgeting process to ensure that financial targets (income and costs) are realistic and achievable.
- Production of monthly management accounts to assess overall Group performance against budget.
- Weekly and monthly sales reports ensure that progress against sales targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take.
- Financial performance is reviewed regularly by Watershed's Executive team and quarterly by Watershed's Finance Sub-Group and Board.
- The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.
- Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis.

Watershed's income portfolio includes:

#### **Programme Funds**

Programme funds received through partnership agreements, restricted project grants and contracts for services account 30% of Watershed's income in 23/24 (up from 26% in 2022/23). Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2023/24 programme funds (excluding regular funding from ACE) totalled £1.23 million (22/23: £1.40 million). Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

#### **Unrestricted Grants**

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council. Although these funds account for a relatively small portion of Group turnover (12%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer.

#### **General Fundraising**

In the 2023/24 financial year Watershed secured £122,950 (2023: £36,691) from fundraising through individual giving and private sponsorship.

#### **Commercial sales - Café/bar and Conference**

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 31% of Group turnover in 2023/24, compared to 30% in 2022/23. The café/bar provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values. Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Watershed intends to further develop their broadcasting package to provide clients with a professional, high spec on-line experience for conference delegates.

## **Strategic report (continued)**

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme.

### **Cinema sales**

Cinema ticket sales accounted for 16% of Group turnover in 2023/24, compared to 14% of Group turnover in 2022/23. Again, sales in the year have recovered compared to the prior year but remain below the pre-COVID19 levels. Watershed considers and balances the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged.

### **Property Income**

The property income in the year was 3% of the group turnover for 2023/24. Watershed continues to provide additional working space to a variety of small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate.

### **Reserves policy**

Watershed's Reserves Policy is reviewed annually by trustees.

### **Overview**

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate financial challenges and the ability to invest in its future.

In establishing the level of reserves appropriate to its business, Watershed has considered:

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

### **Reserves**

Watershed reserves are split into the following funds:

#### **General Fund**

The General Fund ensures that Watershed has the funds to meet its obligations as they fall due in the event of a loss of income or the need to close. Our general reserves target is 3 months of Group operating costs, which amounts to £980,000 in 2024. As of 31 March 2024, Watershed's General Fund stood at £878,559. By the end of 2024/25, General Fund Reserves are estimated to reach £840,000, slightly below the target.

However, if Watershed was to cease current operations the Trustees will seek to realise the value of our real estate assets mindful of our obligations to tenants and secure the best available options to discharge Watershed's liability for ongoing costs for the building in the short and long term and meet our obligations to staff and suppliers.

The trustees are confident that in the event that Watershed had to wind up its business, the option of selling the Watershed building could generate sufficient funds to settle outstanding debts. In the event of an enforced closure, recent pandemic experiences suggest that approximately 50% of business operations could continue, allowing the General Fund to support the business for about 10 months.

## Strategic report (continued)

### Building Fund (Bristol +)

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

As set out in note 26, the building fund has been restated to reflect professional fees written off on a project which did not progress.

### Designated Funds

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds. This policy was last reviewed by Trustees in June 2023 and will be looked at again on a quarterly basis.

As at 31 March 2024, Watershed's reserves comprise\*:

|                       |           |
|-----------------------|-----------|
| General fund          | £ 878,559 |
| British Film Industry | £ 64,444  |
| Building fund         | £ 33,010  |
| Total                 | £ 960,664 |

\*Note – net current assets available at 31 March 2024 stand at £790,701

Following the revaluation of the head lease in July 2019, accumulated depreciation charges have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

The new head lease valuation of £6,770,000 is represented as:

|                            |            |
|----------------------------|------------|
| Head lease designated fund | £5,504,856 |
| Capital designated fund    | £ 709,544  |
| Revaluation reserve        | £ 555,600  |
| Total                      | £6,770,000 |

These funds represent a tangible fixed asset from which Watershed operates, which are fundamental to the delivery of the business plan. They are therefore not included in Watershed's unrestricted reserves.

### Structure, governance and management

Watershed is structured as a group of three companies, the parent company Watershed Arts Trust Limited and two wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality and Watershed Ventures is a CIC which we are not currently delivering any activity through.

Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

The Board of Trustees, which governs the Charity, meets four times a year. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance. Watershed's Board of Trustees are volunteers and receive no remuneration.

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations. The Board review and approve changes to key management's remuneration.

## Strategic report *(continued)*

### Statement of Trustees' responsibilities

The trustees, who are also directors of Watershed Arts Trust Limited for the purposes of company law, are responsible for preparing the Trustees' Report (incorporating the strategic report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees 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 of the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting 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 charitable company will continue in business.

The trustees are responsible for maintaining proper accounting records which 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.

**Strategic report (continued)**

**Reference and administrative details**

Watershed Arts Trust Limited was incorporated as a company limited by guarantee on 19 January 1982. The company was registered with the charity commission on 18 March 1982. The wholly owned subsidiary Watershed Trading Limited was incorporated on 12 March 1982. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

The members of the Board of Trustees who served during the year and post year end and who constitute directors for Companies Act purposes are listed below.

Trustees: Stephen Gatfield, (Chair)  
Tricia Tuttle, (Deputy Chair)  
James Touzel  
Kate Arthurs, (Secretary)  
Sherrie Eugene  
Parys Gardener, appointed 26 July 2023  
Sidharth Sharma  
Louise deCordova, resigned 10 October 2024  
Louise Goux Wirth  
Charlotte Lester  
Jane Roscoe, resigned 28 June 2023

Secretary: Kate Arthurs  
Chief Executive Officer: Clare Reddington  
Charity number: 284188  
Company number: 01608779  
Registered Office: 1 Canon's Road, Harbourside, Bristol, BS1 5TX  
Auditors: A C Mole LLP, Stafford House, Blackbrook Park Avenue, Taunton TA1 2PX  
Bankers: HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA  
Solicitors: TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP

**Disclosure of information to auditors**

The Trustees who held office at the date of approval of this Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

**Auditors**

Watershed's Board of Trustees appointed auditors AC Mole LLP at its Board meeting held on 27th March 2024 as the new auditors.

By order of the Board



S Gatfield  
Chair of the Board

1 Canon's Road  
Bristol  
BS1 5TX

## Independent auditors' report to the members Watershed Arts Trust Limited

### Opinion

We have audited the financial statements of Watershed Arts Trust Limited ('the parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the consolidated Statement of Financial Activities, the consolidated and parent company Statements of Financial Position, consolidated Statement of Cash Flows, and the notes to the financial statements, 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, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and the parent charitable company's affairs as at 31 March 2024 and of the group's income 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 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 group 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, including the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Independent auditors' report to the members Watershed Arts Trust Limited**

### **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 Trustees' Annual Report which includes the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report (incorporating the strategic report) has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report (incorporating the strategic report).

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 and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## **Independent auditors' report to the members Watershed Arts Trust Limited**

### **Identifying and assessing potential risks of material misstatement due to irregularities**

We consider the following when identifying and assessing risks of material misstatement due to irregularities, including fraud and non-compliance with laws and regulations:

- the legal and regulatory framework in which the group operates
- the nature of the sector in which the group operates
- the control environment and controls established to mitigate such risks
- the results of our enquiries of management about their identification and assessment of risks of irregularities.
- discussions with the audit engagement team about where fraud might occur
- The incentive for fraud

Laws and regulations which are considered to be significant to the group include those relating to the requirements of financial reporting framework FRS102, the Charities Act 2011, the Companies Act 2006, UK tax legislation, employment law and health and safety. In addition, we consider other laws and regulation which may not directly impact the financial statements but may impact on the operation of the company.

In accordance with International Auditing Standards we concluded that a risk in relation to the potential for management override of controls existed.

### **Audit response to risks identified:**

We undertook audit procedures to respond to the risks identified, and designed our audit testing to respond to these risks. The additional procedures we undertook included the following.

- Gaining an understanding of the group's procedures for ensuring compliance with laws and regulations
- testing the appropriateness of journal entries and other adjustments
- considering whether accounting estimates were indicative of potential bias
- considering whether any transactions arose outside the normal course of business.
- making enquiries of management
- corroborating our enquires through review of Board minutes and correspondence

We also communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

This description forms part of our auditor's report.

**Independent auditors' report to the members Watershed Arts Trust Limited**

**Use of our report**

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditors' 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 parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Alexandra Shore*

Alexandra Shore FCA DChA (Senior Statutory Auditor)

For and on behalf of A C Mole LLP Chartered Accountants and Statutory Auditors  
Stafford House  
Blackbrook Park Avenue  
Taunton  
Somerset  
TA1 2PX

Date *11<sup>th</sup> December 2024*

**Consolidated statement of financial activities (including an income & expenditure account)**

|   | Note  | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£  | Total Funds<br>2024<br>£  | Total Funds<br>2023<br>£  |
|---|-------|----------------------------|---------------------------|---------------------------|---------------------------|
| <i>for the year ended 31 March 2024</i>                     |       |                            |                           |                           |                           |
| <b>Income</b>   |       |                            |                           |                           |                           |
| <b>Voluntary income</b>                                     |       |                            |                           |                           |                           |
| <b>Donations and legacies</b>                               |       |                            |                           |                           |                           |
| Individual giving   |       | 122,950                    | -                         | 122,950                   | 36,691                    |
| Donated services  |       | -                          | -                         | -                         | -                         |
| Regular grant funding                                       | 2     | 811,984                    | -                         | 811,984                   | 812,384                   |
| <b>Other trading activities</b>                             |       |                            |                           |                           |                           |
| Commercial trading operations                               | 4     | 2,043,943                  | -                         | 2,043,943                 | 1,588,256                 |
| <b>Investment income</b>                                    |       |                            |                           |                           |                           |
| Rental income   |       | 198,832                    | -                         | 198,832                   | 198,585                   |
| Interest receivable   |       | 1,303                      | -                         | 1,303                     | 332                       |
|   |       | <u>3,179,012</u>           | <u>-</u>                  | <u>3,179,012</u>          | <u>2,636,248</u>          |
| <b>Income from charitable activities</b>                    |       |                            |                           |                           |                           |
| Earned income from cinema activities                        |       | 1,042,294                  | -                         | 1,042,294                 | 744,054                   |
| Service charges   |       | 161,413                    | -                         | 161,413                   | 161,725                   |
| Other earned income   |       | 182,342                    | -                         | 182,342                   | 142,790                   |
| Programme funds   | 2     | -                          | 1,990,019                 | 1,990,019                 | 1,406,391                 |
|   |       | <u>1,386,049</u>           | <u>1,990,019</u>          | <u>3,376,068</u>          | <u>2,454,960</u>          |
| <b>Other income</b>   |       |                            |                           |                           |                           |
| Capital grants  |       | -                          | -                         | -                         | 200,000                   |
| <b>Total income</b>   |       | <u><b>4,565,061</b></u>    | <u><b>1,990,019</b></u>   | <u><b>6,555,080</b></u>   | <u><b>5,291,208</b></u>   |
| <b>Expenditure</b>  |       |                            |                           |                           |                           |
| <b>Costs of raising funds</b>                               |       |                            |                           |                           |                           |
| Fundraising costs   | 6     | (57,359)                   | -                         | (57,359)                  | (55,126)                  |
| Commercial trading operations                               | 4     | <u>(1,475,454)</u>         | <u>-</u>                  | <u>(1,475,454)</u>        | <u>(1,268,265)</u>        |
|   |       | <u>(1,532,813)</u>         | <u>-</u>                  | <u>(1,532,813)</u>        | <u>(1,323,391)</u>        |
| <b>Charitable activities</b>                                |       |                            |                           |                           |                           |
| Operation of cinema, engagement and creative media projects | 7     | (2,821,083)                | (1,990,019)               | (4,811,102)               | (4,339,706)               |
| Donated services  |       | -                          | -                         | -                         | -                         |
| CIC operation   | 5     | (1,243)                    | -                         | (1,243)                   | (813)                     |
| Property management costs                                   |       | <u>(128,146)</u>           | <u>-</u>                  | <u>(128,146)</u>          | <u>(84,171)</u>           |
| <b>Total expenditure</b>                                    |       | <u><b>(4,483,285)</b></u>  | <u><b>(1,990,019)</b></u> | <u><b>(6,473,304)</b></u> | <u><b>(5,748,081)</b></u> |
| Net (losses) on investments                                 |       | <u>(428,600)</u>           | <u>-</u>                  | <u>(428,600)</u>          | <u>-</u>                  |
| Net (expenditure) before transfers                          |       | <u>(346,824)</u>           | <u>-</u>                  | <u>(346,824)</u>          | <u>(456,873)</u>          |
| Transfers between funds                                     | 19/20 | 168,075                    | (168,075)                 | -                         | -                         |
| (Losses) on revaluation of fixed assets                     |       | <u>(451,400)</u>           | <u>-</u>                  | <u>(451,400)</u>          | <u>-</u>                  |
| Net movement in funds                                       |       | <u>(630,149)</u>           | <u>(168,075)</u>          | <u>(798,224)</u>          | <u>(456,873)</u>          |
| <b>Reconciliation of funds</b>                              |       |                            |                           |                           |                           |
| Total funds brought forward                                 |       | <u>8,376,262</u>           | <u>1,333,050</u>          | <u>9,709,312</u>          | <u>10,166,185</u>         |
| <b>Total funds carried forward</b>                          | 19/20 | <u><b>7,746,113</b></u>    | <u><b>1,164,975</b></u>   | <u><b>8,911,088</b></u>   | <u><b>9,709,312</b></u>   |

The group has no recognised gains or losses for the current or previous year other than those shown above.

**Consolidated cash flow statement**  
*for the year ended 31 March 2024*

|  | 2024<br>£        | 2023<br>£        |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>              |                  |                  |
| Net (outgoings)  | (346,824)        | (456,873)        |
| Movement in deferred tax                                 | 70               | -                |
| Depreciation of tangible assets                          | 229,710          | 187,741          |
| Net losses of investments                                | 428,600          | -                |
| Change in trade and other debtors                        | 145,761          | (365,745)        |
| Change in stocks   | (1,448)          | (1,420)          |
| Change in trade and other creditors                      | 115,626          | 72,170           |
| <b>Net cash flow generated from operating activities</b> | <b>571,495</b>   | <b>(564,127)</b> |
| <b>Cash flows from investing activities</b>              |                  |                  |
| Purchases of tangible assets                             | (129,424)        | (365,223)        |
| Net cash from investing activities                       | (129,424)        | (365,223)        |
| Change in cash and cash in hand in the period            | 442,071          | (929,350)        |
| Cash at bank and in hand at beginning of year            | 848,949          | 1,778,299        |
| Cash at bank and in hand at end of year                  | <b>1,291,020</b> | <b>848,949</b>   |

**Analysis of changes in net debt**

|              | At 1 April 2023<br>£ | Cashflows<br>£ | At 31 March<br>2024<br>£ |
|--------------|----------------------|----------------|--------------------------|
| Cash         | 848,949              | 442,071        | 1,291,020                |
| <b>Total</b> | <b>848,949</b>       | <b>442,071</b> | <b>1,291,020</b>         |

## Consolidated and Charity Balance Sheets

at 31 March 2024

|  | Note | As restated        |           | As restated      |           |
|--|------|--------------------|-----------|------------------|-----------|
|  |      | Group              |           | Charity          |           |
|  |      | 2024               | 2023      | 2024             | 2023      |
|  |      | £                  | £         | £                | £         |
| <b>Fixed assets</b>                            |      |                    |           |                  |           |
| Tangible assets                                | 11   | 4,855,732          | 5,407,418 | 4,833,549        | 5,385,754 |
| Investments                                    | 12   | 3,297,900          | 3,726,500 | 3,348,001        | 3,776,601 |
|  |      | <b>8,153,632</b>   | 9,133,918 | <b>8,181,550</b> | 9,162,355 |
| <b>Current assets</b>                          |      |                    |           |                  |           |
| Stocks   | 13   | 18,101             | 16,653    | -                | -         |
| Debtors  | 14   | 558,396            | 704,157   | 647,688          | 630,815   |
| Cash at bank and in hand                       |      | 1,291,020          | 848,949   | 570,593          | 501,799   |
|  |      | <b>1,867,517</b>   | 1,569,759 | <b>1,218,281</b> | 1,132,614 |
| <b>Creditors: due within one year</b>          | 15   | <b>(1,076,816)</b> | (961,190) | <b>(867,568)</b> | (781,686) |
| <b>Net current assets</b>                      |      | <b>790,701</b>     | 608,569   | <b>350,713</b>   | 350,928   |
| <b>Total assets less current liabilities</b>   |      | <b>8,944,333</b>   | 9,742,487 | <b>8,532,263</b> | 9,513,283 |
| <b>Creditors: due after more than one year</b> | 16   | <b>(29,690)</b>    | (29,690)  | <b>(29,690)</b>  | (29,690)  |
| <b>Provisions for liabilities and charges</b>  | 17   | <b>(3,555)</b>     | (3,485)   | -                | -         |
| <b>Net assets</b>                              |      | <b>8,911,088</b>   | 9,709,312 | <b>8,502,573</b> | 9,483,593 |
| <b>Unrestricted income funds - general</b>     | 19   | <b>878,659</b>     | 693,252   | <b>470,144</b>   | 467,533   |
| <b>British Film Industry designated funds</b>  | 19   | <b>64,444</b>      | -         | <b>64,444</b>    | -         |
| <b>Bristol + unrestricted designated fund</b>  | 19   | <b>33,010</b>      | 33,010    | <b>33,010</b>    | 33,010    |
| <b>Head lease unrestricted designated fund</b> | 19   | <b>5,504,856</b>   | 5,504,856 | <b>5,504,856</b> | 5,504,856 |
| <b>Capital unrestricted designated funds</b>   | 19   | <b>709,544</b>     | 709,544   | <b>709,544</b>   | 709,544   |
| <b>Revaluation reserve (head lease)</b>        | 19   | <b>555,600</b>     | 1,435,600 | <b>555,600</b>   | 1,435,600 |
| <b>Restricted capital funds</b>                | 20   | <b>1,164,975</b>   | 1,333,050 | <b>1,164,975</b> | 1,333,050 |
| <b>Total funds</b>                             |      | <b>8,911,088</b>   | 9,709,312 | <b>8,502,573</b> | 9,483,593 |

These financial statements were approved by the Board on 4th December 2024 and were signed on its behalf by:

S Gatfield

Chair of the Board



## Notes to the financial statements

### 1. Accounting policies

#### Company information

Watershed Arts Trust Limited is a charitable company limited by guarantee incorporated in England and Wales. The registered office is 1 Canons Road, Harbourside, Bristol, BS1 5TX. The charitable company has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1.

#### Basis of preparation

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 2019) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, which have been applied consistently.

Watershed Arts Trust Limited 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.

#### Going Concern

The company and group have experienced significant challenges due to the impact of the COVID-19 pandemic on its operations and financial performance. However, we are currently witnessing a gradual recovery in trading and revenue growth. Throughout the recovery phase, the management has taken several proactive measures to enhance financial resilience, including implementing cost containment initiatives and optimising cash flow management. While there are ongoing uncertainties, we believe the company's going concern assumption is appropriate, given the positive indications of recovery and the steps taken to ensure operational sustainability.

Watershed's core funding from Arts Council England and Bristol City Council continued as did the project funding for areas of our creative programme. Watershed's technical resource and expertise enabled these activities to continue operating in a digital environment, which presents opportunities for the future as Watershed assesses new ways of delivering its programmes and impact in a changing operating environment.

Budget and cashflow forecasts undertaken throughout the year indicate that the Watershed Group will maintain sufficient cashflow throughout 2023/24 and continue operating without impediment for the foreseeable future.

The financial statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

#### Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2024.

These financial statements consolidate the results of the charity and its wholly owned subsidiaries on a line-by-line basis. Intra-group transactions and balances are eliminated fully on consolidation.

The trading results of the subsidiaries are disclosed in notes 4 and 5 to these financial statements.

## Notes to the financial statements (*continued*)

### 1. Accounting policies (*continued*)

#### *Income*

##### ***Voluntary income***

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions are met, the amount can be measured reliably, and in line with the timing implied by any multi-period grant agreements.

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non-specific revenue grants which support core activities are categorised as voluntary income.

Revenue grants received for specific creative projects are also categorised as income from charitable activities.

Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

##### ***Income from charitable activities***

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met.

Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit cards and is accounted for on a receipts basis. Turnover in respect of the conferencing activities is accounted for on a receivable basis with income recognised in the profit and loss account for conferences completed in the current accounting period.

Non-refundable deposits received in respect of conferences in the next accounting period are held as deferred income in creditors on the balance sheet.

##### ***Donated services and facilities***

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements as value to the charity, at an estimate provided by the donors.

##### ***Expenditure***

All expenditure is accounted for on an accrual basis. Costs directly attributable to a specific expense heading are allocated to that heading. Expenditure is recognised when a liability is incurred: costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds; charitable activities include expenditure associated with the cinema exhibition programme and digital studio programmes and include both the direct costs and support costs relating to these activities; governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements; support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., allocating property costs by floor areas, staff costs by the time spent and other costs by their usage.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Leases

Operating lease rentals are charged to the statement of financial activities on a straight-line basis over the period of the lease.

#### Stocks

Stocks are stated at the lower of cost and net realisable value where cost is determined with reference to current prices. Stocks are assumed to be used on a first in first out basis.

#### Taxation

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax. The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### Fund accounting

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

##### ***Unrestricted funds***

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity. In addition to expenditure on the principal activities of the Trust, such funds may be held in order to finance capital investment and working capital.

##### ***Restricted funds***

These funds are earmarked by the donor for specific purposes. Grant income received to fund capital expenditure is held in restricted funds. The balance is transferred to unrestricted funds in future years at the same rates as to match the depreciation charges of the related assets. Revenue funds restricted by the donor are matched against expenditure as appropriate.

##### ***Designated funds***

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

#### Head lease

The head lease is a mixed-use property under Paragraph 10.47 of the Charities SORP. Units which are leased to third party tenants on commercial terms are shown as investment property. Units which are occupied by the charity are classified as tangible fixed assets.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Investments

##### ***Investment Properties***

Investment properties are carried at fair value. Any movements in fair value are recognised in the Statement of Financial Activity in the year in which they occur. Details of how fair value has been determined are set out in Note 12.

##### ***Investments in Subsidiary Undertakings (parent only)***

Investments in subsidiaries undertaking in the charitable company are stated at cost. Details of subsidiary undertakings owned by the charity are disclosed in notes 4 and 5.

#### Fixed assets and depreciation

Fixed assets are carried at historic cost, less accumulated depreciation, except for the head lease which is carried at fair value. Any movements in fair value are recognised in the Statement of Financial Activity in the year in which they occur. Details of how fair value has been determined are set out in Note 11.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                        |                                   |
|------------------------|-----------------------------------|
| Furniture and fittings | 10% - 20% per annum               |
| Plant and equipment    | 10% - 33% per annum               |
| Leasehold improvements | 10 - 25 years straight line basis |

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000.

#### Financial instruments

The charity and group only enter into basic financial instruments. Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

##### ***Basic financial assets***

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### ***Basic financial liabilities***

Basic financial liabilities, including trade creditors, other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### ***Cash and cash equivalents***

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, bank overdrafts or other short-term liquid investments with original maturities of three months or less.

#### **Foreign currency policy**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

#### **Prior period adjustments**

Where an error or omission is identified in respect of comparative figures this is adjusted in the preceding period.

#### **Critical accounting judgments and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires the Trustees to make adjustments, estimates and assumptions that affect the application of policies and the reported values of assets and liabilities, income and expenditure.

The resulting accounting estimates may not translate to actual future outcomes. The Trustees consider that the following critical accounting estimates and judgements have a significant risk of causing a material adjustment in future periods:

#### ***Valuation of head lease (investment property and fixed assets)***

The head lease is a mixed-use property. Units which are rented to third parties on commercial terms, are classified as investment property, units which are occupied by the charity are classified as tangible fixed assets.

The Trustees have engaged the services of Carter Baynes to assist in determining the fair value of the head lease. Details of the valuation is set out in Note 11.

In the event of a disposal, the actual value of the lease could be materially different to this estimate.

Notes (continued)

2. Grant and project income receivable (Group)

|   | Deferred as<br>at 1 April<br>2023 | Cash<br>received &<br>receivable<br>2023/24 | Credited to<br>income &<br>expenditure<br>2023/24 | Deferred as at<br>31 March<br>2024 |
|---|-----------------------------------|---|---|------------------------------------|
|   | £                                 | £   | £   | £                                  |
| <b>Income from donations and legacies</b>       |                                   |   |   |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |                                    |
| <b>Regular Grant Funding</b>                    |                                   |   |   |                                    |
| Arts Council England – National Portfolio funds | -                                 | 757,984                                     | (757,984)   | -                                  |
| Bristol City Council – Key Arts Provider funds  | -                                 | 54,000                                      | (54,000)  | -                                  |
| <b>Total Regular Grant Funding</b>              | <b>-</b>                          | <b>811,984</b>                              | <b>(811,984)</b>                                  | <b>-</b>                           |
| <b>Restricted</b>                               |                                   |   |   |                                    |
| <b>Programme funding – grants</b>               |                                   |   |   |                                    |
| British Film Institute                          | -                                 | 1,132,160                                   | (1,107,160)                                       | 25,000                             |
| HE Sector                                       | 87,852                            | 509,777                                     | (525,792)   | 71,837                             |
| Other grants                                    | 506                               | 171,708                                     | (154,234)   | 17,980                             |
| <b>Programme funding – other</b>                |                                   |   |   |                                    |
| Other project funds                             | 16,911                            | 80,922                                      | (97,833)  | -                                  |
| Other   | -                                 | 105,000                                     | (105,000)   | -                                  |
| <b>Total programme funds</b>                    | <b>105,269</b>                    | <b>1,999,567</b>                            | <b>(1,990,019)</b>                                | <b>114,817</b>                     |

**Notes to the financial statements (continued)**

**3. Financial activities of the charity**

A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented as it has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

For the parent charity net movement in funds for the year is a deficit of £981,020 (2023: deficit of £594,383).

**4. Trading subsidiary's results (Watershed Trading Limited)**

|   | <b>2024</b>        | <b>2023</b>  |
|---|--------------------|--------------|
|   | <b>Total</b>       | <b>Total</b> |
|   | <b>£</b>           | <b>£</b>     |
| <b>Turnover</b>                                     | <b>2,043,943</b>   | 1,588,256    |
| Cost of sales                                       | <b>(1,369,215)</b> | (1,214,853)  |
|   | <hr/>              | <hr/>        |
| <b>Gross profit</b>                                 | <b>674,728</b>     | 373,403      |
| Administration and other costs                      | <b>(106,239)</b>   | (53,412)     |
|   | <hr/>              | <hr/>        |
| <b>Net income</b>                                   | <b>568,489</b>     | 319,991      |
| Gift aid payment to Watershed Arts Trust Limited    | <b>(158,403)</b>   | (5,263)      |
| Management charge from Watershed Arts Trust Limited | <b>(226,676)</b>   | (176,627)    |
|   | <hr/>              | <hr/>        |
| <b>Retained profit for the year</b>                 | <b>183,410</b>     | 138,101      |
| Retained profit brought forward                     | <b>218,148</b>     | 80,047       |
|   | <hr/>              | <hr/>        |
| <b>Retained profit carried forward</b>              | <b>401,558</b>     | 218,148      |
|   | <hr/> <hr/>        | <hr/> <hr/>  |

The assets and liabilities of the subsidiary were:

|  | <b>2024</b>      | <b>2023</b>  |
|--|------------------|--------------|
|  | <b>Total</b>     | <b>Total</b> |
|  | <b>£</b>         | <b>£</b>     |
| Fixed assets                                   | <b>22,183</b>    | 21,664       |
| Current assets                                 | <b>818,667</b>   | 452,398      |
| Creditors: amounts falling due within one year | <b>(435,637)</b> | (252,329)    |
| Provisions for liabilities and charges         | <b>(3,555)</b>   | (3,485)      |
|  | <hr/>            | <hr/>        |
| <b>Net assets</b>                              | <b>401,658</b>   | 218,248      |
|  | <hr/> <hr/>      | <hr/> <hr/>  |
| <b>Equity shareholders' funds</b>              | <b>401,658</b>   | 218,248      |
|  | <hr/> <hr/>      | <hr/> <hr/>  |

**Notes to the financial statements (continued)**

**5. Trading subsidiary's results (Watershed Ventures CIC)**

|  | <b>2024</b>    | <b>2023</b>  |
|--|----------------|--------------|
|  | <b>Total</b>   | <b>Total</b> |
|  | <b>£</b>       | <b>£</b>     |
| <b>Turnover</b>                        | -              | -            |
| Cost of sales                          | -              | -            |
|  | <hr/>          | <hr/>        |
| <b>Gross profit</b>                    | -              | -            |
| Administration and other costs         | <b>(1,243)</b> | (813)        |
|  | <hr/>          | <hr/>        |
| <b>Trading (loss)</b>                  | <b>(1,243)</b> | (813)        |
| Other income                           | <b>1,006</b>   | 222          |
|  | <hr/>          | <hr/>        |
| <b>Net (loss)</b>                      | <b>(237)</b>   | (591)        |
|  | <hr/>          | <hr/>        |
| Retained profit brought forward        | <b>7,194</b>   | 7,785        |
|  | <hr/>          | <hr/>        |
| <b>Retained profit carried forward</b> | <b>6,957</b>   | 7,194        |
|  | <hr/> <hr/>    | <hr/> <hr/>  |

The assets and liabilities of the subsidiary were:

|  | <b>2024</b>    | <b>2023</b>  |
|--|----------------|--------------|
|  | <b>Total</b>   | <b>Total</b> |
|  | <b>£</b>       | <b>£</b>     |
| Current assets                                 | <b>59,299</b>  | 58,333       |
| Creditors: amounts falling due within one year | <b>(2,341)</b> | (1,138)      |
|  | <hr/>          | <hr/>        |
| <b>Net assets</b>                              | <b>56,958</b>  | 57,195       |
|  | <hr/> <hr/>    | <hr/> <hr/>  |
| <b>Equity shareholders' funds</b>              | <b>56,958</b>  | 57,195       |
|  | <hr/> <hr/>    | <hr/> <hr/>  |

Watershed Ventures CIC is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479a.

**Notes to the financial statements (continued)**

**6. Allocation of support costs**

The Trust allocates its support costs as shown in the table below and then further apportions those costs between the two charitable activities undertaken (see note 7). Support costs are allocated on a basis consistent with the use of resources.

|                       | Charitable<br>activities<br>£ | Fundraising<br>costs<br>£ | Governance<br>£ | 2024<br>Total<br>£    | 2023<br>Total<br>£ |
|-----------------------|-------------------------------|---------------------------|-----------------|-----------------------|--------------------|
| <b>Support cost</b>   |                               |                           |                 |                       |                    |
| General office        | 123,263                       | 2,312                     | 16,760          | <b>142,335</b>        | 119,799            |
| Finance office        | 180,709                       | 2,387                     | 51,946          | <b>235,042</b>        | 301,459            |
| External audit        | -                             | -                         | 36,878          | <b>36,878</b>         | 15,366             |
| Professional services | 20,384                        | -                         | 19,997          | <b>40,382</b>         | 57,281             |
| Fundraiser costs      | -                             | 52,660                    | -               | <b>52,660</b>         | 50,975             |
|                       | <u>324,356</u>                | <u>57,359</u>             | <u>125,581</u>  | <u><b>507,296</b></u> | <u>544,880</u>     |

**7. Analysis of charitable expenditure**

|   | Audience<br>Engagement<br>Programme<br>£ | Creative<br>technology<br>and talent<br>development<br>projects<br>£ | 2024<br>Total<br>£      | 2023<br>Total<br>£ |
|---|--|--|-------------------------|--------------------|
| Cinema Screening – direct costs         | 1,246,205                                | -  | <b>1,246,205</b>        | 907,814            |
| Direct programme/project costs          | 637,941                                  | 867,856  | <b>1,505,797</b>        | 1,401,439          |
| Arts programme management and marketing | 436,519                                  | 327,013  | <b>763,532</b>          | 761,679            |
| Premises costs                          | 410,305                                  | 217,032  | <b>627,337</b>          | 607,146            |
| General support costs                   | 259,486                                  | 64,871   | <b>324,357</b>          | 368,952            |
| Governance costs                        | 100,464                                  | 25,116   | <b>125,580</b>          | 120,802            |
| Depreciation                            | 174,635                                  | 43,659   | <b>218,294</b>          | 171,874            |
| Total                                   | <u>3,265,555</u>                         | <u>1,545,547</u>   | <u><b>4,811,102</b></u> | <u>4,339,706</u>   |

Included in the above is restricted expenditure of £1,990,019 (2023: £1,396,717).

**Notes to the financial statements (continued)**

**8. Staff numbers and costs**

The average headcount in the year for the group was 118 (2023: 114).

The full time equivalent average number of persons employed by Watershed during the year, including directors, analysed by category, was as follows:

|                               | Number of employees |           |
|-------------------------------|---------------------|-----------|
|                               | 2024                | 2023      |
| Cultural engagement programme | 44                  | 42        |
| Administration                | 13                  | 13        |
| Trading                       | 27                  | 23        |
|                               | <u>84</u>           | <u>78</u> |

The aggregate payroll costs of these persons were as follows:

| Group                 | 2024             | 2023             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 2,674,572        | 2,578,672        |
| Social security costs | 232,739          | 231,738          |
| Pension costs         | 57,614           | 51,760           |
|                       | <u>2,964,925</u> | <u>2,862,170</u> |

During the current and previous year, the Trustees were not paid any remuneration or reimbursed for expenses. No Trustees made a donation to the charity in the current or previous year.

Key management compensation in total for the year was £95,650 (2023: £82,868). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £80,000 to £89,999 (2023 –one employee within the range of £80,000 to £89,999).

**9. Net movement on funds is stated after charging**

|  | 2024      | 2023      |
|--|-----------|-----------|
|  | £         | £         |
| Auditors' remuneration – audit services (Charity: £18,000)       | 20,574    | 26,979    |
| Auditors' remuneration – non audit services (Charity: £Nil)      | -         | -         |
| Depreciation and other amounts written off tangible fixed assets | 229,710   | 187,741   |
| Inventories recognised as an expense                             | 1,367,767 | 1,213,433 |
| Operating lease payments recognised as an expense                | 10,303    | 10,306    |

**Notes to the financial statements (continued)**

**10. Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activities to the extent that these relate to its charitable purposes.

**11. Tangible fixed assets**

|                                    | Head lease       | Leasehold<br>improvements | Furniture and<br>equipment | Total            |
|------------------------------------|------------------|---------------------------|----------------------------|------------------|
| Group                              | £                | £                         | £                          | £                |
| <i>Cost or valuation</i>           |                  |                           |                            |                  |
| At beginning of year (as restated) | 3,923,500        | 3,563,656                 | 1,537,863                  | 9,025,019        |
| Additions                          | -                | 107,845                   | 21,579                     | 129,424          |
| Disposals in the year              | -                | -                         | -                          | -                |
| Revaluation of head lease          | (451,400)        | -                         | -                          | (451,400)        |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| At end of year                     | 3,472,100        | 3,671,501                 | 1,559,442                  | 8,703,043        |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| <i>Depreciation</i>                |                  |                           |                            |                  |
| At beginning of year (as restated) | -                | 2,198,332                 | 1,419,269                  | 3,617,601        |
| Charge for year                    | -                | 172,027                   | 57,683                     | 229,710          |
| Eliminations on disposals          | -                | -                         | -                          | -                |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| At end of year                     | -                | 2,370,359                 | 1,476,952                  | 3,847,311        |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| <i>Net book value</i>              |                  |                           |                            |                  |
| <b>At 31 March 2024</b>            | <b>3,472,100</b> | <b>1,301,142</b>          | <b>82,490</b>              | <b>4,855,732</b> |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| At 31 March 2023 (as restated)     | 3,923,500        | 1,365,324                 | 118,594                    | 5,407,418        |
|                                    | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |

In March 2007 Watershed purchased the long leasehold head lease to E & W sheds for its unexpired term of 111  $\frac{3}{4}$  years. The final price paid was £5.95 million. In 2019/20, the total value of the head lease was revalued at a market value of £7,650,000.

The Trustees instructed Carter Baynes (Chartered Surveyors) to provide a valuation of the market (fair) value of the head lease at 31 March 2024. The valuation was carried out in accordance with the RICS Valuation – Global Standards January 2022 and the UK national supplement (“The Red Book”).

The total valuation of the head lease at 31 March 2024 was £6,770,000, of which £3,472,100 is categorised as tangible fixed assets (occupied by the charity) and £3,297,900 as investment property which is rented to third parties on commercial terms.

As set out in note 26, the head lease comparative figures have been restated.

**Notes to the financial statements (continued)**

**11. Tangible fixed assets (continued)**

|                                    | Head lease        | Leasehold<br>improvements | Furniture<br>and<br>equipment | Total             |
|------------------------------------|-------------------|---------------------------|-------------------------------|-------------------|
|                                    | £                 | £                         | £                             | £                 |
| <b>Charity</b>                     |                   |                           |                               |                   |
| <i>Cost or valuation</i>           |                   |                           |                               |                   |
| At beginning of year (as restated) | 3,923,500         | 3,563,656                 | 1,395,723                     | 8,882,879         |
| Additions                          | -                 | 107,845                   | 9,644                         | 117,489           |
| Disposals in the year              | -                 | -                         | -                             | -                 |
| Revaluation of head lease          | (451,400)         | -                         | -                             | (451,400)         |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |
| At end of year                     | 3,472,100         | 3,671,501                 | 1,405,367                     | 8,548,968         |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |
| <i>Depreciation</i>                |                   |                           |                               |                   |
| At beginning of year               | -                 | 2,198,332                 | 1,298,793                     | 3,497,125         |
| Charge for year                    | -                 | 172,027                   | 46,267                        | 218,294           |
| Elimination on disposals           | -                 | -                         | -                             | -                 |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |
| At end of year                     | -                 | 2,370,359                 | 1,345,060                     | 3,715,419         |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |
| <i>Net book value</i>              |                   |                           |                               |                   |
| <b>At 31 March 2024</b>            | <b>3,472,100</b>  | <b>1,301,142</b>          | <b>60,307</b>                 | <b>4,833,549</b>  |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |
| At 31 March 2023 (as restated)     | 3,923,500         | 1,365,324                 | 96,930                        | 5,385,754         |
|                                    | <u>          </u> | <u>          </u>         | <u>          </u>             | <u>          </u> |

**Notes to the financial statements (continued)**

**12. Fixed asset investments**

|   | Group            |                  | Charity          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2024<br>£        | 2023<br>£        | 2024<br>£        | 2023<br>£        |
| Investment properties (see below)       | 3,297,900        | 3,726,500        | 3,297,900        | 3,726,500        |
| Investments in subsidiaries (see below) | -                | -                | 50,101           | 50,101           |
|   | <u>3,297,900</u> | <u>3,726,500</u> | <u>3,348,001</u> | <u>3,776,001</u> |

**Investment Properties**

|                         | Group            |                  | Charity          |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | 2024<br>£        | 2023<br>£        | 2024<br>£        | 2023<br>£        |
| Balance as at 1 April   | 3,726,500        | 3,726,500        | 3,726,500        | 3,726,500        |
| Revaluation in the year | (428,600)        | -                | (428,600)        | -                |
|                         | <u>3,297,900</u> | <u>3,726,500</u> | <u>3,297,900</u> | <u>3,726,500</u> |

**Investments in subsidiaries**

The above shares represent equity investments in group undertakings.

The company owns 100% of the issued share capital of Watershed Trading Limited (company registration number: 01621620), a company incorporated in England and Wales. The principal activities of this company are the operation of the café/bar, and conference facilities at Watershed.

The company owns 100% of the issued share capital of Watershed Ventures CIC (company registration number: 06097013), a company incorporated in England and Wales. The principal activities of this company are to promote participation by individuals, groups and organisations in the creative industries in the South West of England and elsewhere.

**13. Stocks**

|                                     | Group         |               | Charity   |           |
|-------------------------------------|---------------|---------------|-----------|-----------|
|                                     | 2024<br>£     | 2023<br>£     | 2024<br>£ | 2023<br>£ |
| Finished goods and goods for resale | 18,101        | 16,653        | -         | -         |
|                                     | <u>18,101</u> | <u>16,653</u> | <u>-</u>  | <u>-</u>  |

Notes to the financial statements (*continued*)

14. Debtors

|  | Group          |                | Charity        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2024           | 2023           | 2024           | 2023           |
|  | £              | £              | £              | £              |
| Trade debtors  | 218,994        | 380,118        | 82,331         | 236,305        |
| Prepayments and accrued income                       | 331,173        | 306,791        | 328,399        | 303,676        |
| Other debtors including taxation and social security | 8,229          | 17,248         | 8,229          | 17,248         |
| Amounts owed from Group undertakings                 | -              | -              | 228,729        | 73,586         |
|  | <u>558,396</u> | <u>704,157</u> | <u>647,688</u> | <u>630,815</u> |

All debtors are recoverable within one year.

15. Creditors: amounts falling due within one year

|  | Group            |                | Charity        |                |
|--|------------------|----------------|----------------|----------------|
|  | 2024             | 2023           | 2024           | 2023           |
|  | £                | £              | £              | £              |
| Trade creditors  | 223,770          | 336,058        | 212,192        | 327,952        |
| Other creditors including taxation and social security | 230,502          | 174,787        | 103,790        | 76,753         |
| Accruals and deferred income                           | 622,544          | 450,345        | 551,586        | 376,981        |
|  | <u>1,076,816</u> | <u>961,190</u> | <u>867,568</u> | <u>781,686</u> |

Other creditors include £124,034 (2023: £134,996) owed for other taxes and social security.

Accruals and deferred income includes accruals of £334,861, deferred income comprising £48,357 of conference deposits, £122,601 of property income received in advance, £800 of other income and £114,817 of grant and project income (note 2).

Deferred rent income, advanced cinema sales, and conference deposits as at 1 April 2023, were fully released in the year. The balance at the year-end was:

|   | Group          | Charity        |
|---|----------------|----------------|
|   | £              | £              |
| Balance as at 1 April 2023              | 75,971         | 15,622         |
| Movement in deferred income in the year | 169,103        | 188,987        |
|   | <u>245,074</u> | <u>204,609</u> |

**Notes to the financial statements (continued)**

**16 Creditors: amounts falling due after more than one year**

|                                 | <b>Group</b>      |                   | <b>Charity</b>    |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <b>2024</b>       | <b>2023</b>       | <b>2024</b>       | <b>2023</b>       |
|                                 | <b>£</b>          | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| Other loans                     | <b>29,690</b>     | 29,690            | <b>29,690</b>     | 29,690            |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Analysis of loans               |                   |                   |                   |                   |
| Wholly repayable within 5 years | <b>29,690</b>     | 29,690            | <b>29,690</b>     | 29,690            |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

The balance of £29,690 relates to rental deposits being held in respect of tenancies to E & W sheds.

**17 Provisions and liabilities**

| <b>Group</b>   | <b>Deferred tax</b> |
|--|---------------------|
|  | <b>£</b>            |
| <b>Differences between accumulated depreciation and capital allowances</b> |                     |
| At beginning of year   | 3,485               |
| Movement in the year   | 70                  |
|  | <u>          </u>   |
| <b>Deferred tax liability at end of year</b>                               | <b>3,555</b>        |
|  | <u>          </u>   |

The charity has no deferred taxation liabilities.

**18 Financial Instruments**

The group and charity have the following financial instruments:

|  | <b>Group</b>   |             | <b>Charity</b> |             |
|--|----------------|-------------|----------------|-------------|
|  | <b>2024</b>    | <b>2023</b> | <b>2024</b>    | <b>2023</b> |
|  | <b>£</b>       | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Financial instruments which are debt instruments measured at amortised costs |                |             |                |             |
| Trade debtors  | <b>218,994</b> | 380,118     | <b>82,331</b>  | 236,305     |
| Other debtors  | <b>8,229</b>   | 17,248      | <b>8,229</b>   | 17,248      |
| Financial liabilities measured at amortised costs                            |                |             |                |             |
| Trade creditors  | <b>223,770</b> | 336,058     | <b>212,192</b> | 327,952     |
| Other creditors  | <b>230,502</b> | 174,787     | <b>103,790</b> | 76,753      |

Notes to the financial statements (*continued*)

19 Unrestricted income funds

|  | Group<br>£       | Charity<br>£     |
|--|------------------|------------------|
| At beginning of year                     | 8,376,262        | 8,150,543        |
| Movement in year before transfers        | (798,324)        | (981,021)        |
| Transfer from restricted funds (note 20) | 168,075          | 168,075          |
|  | <hr/>            | <hr/>            |
| <b>At end of year</b>                    | <b>7,746,013</b> | <b>7,337,597</b> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

|                                     | Restated<br>At<br>beginning<br>of year: 1<br>April 2023<br>£ | Incoming<br>resources<br>£ | Expenditure<br>£ | Transfers<br>£ | Other<br>recognised<br>gains and<br>losses<br>£ | At end of<br>Year: 31<br>March 2024<br>£ |
|-------------------------------------|--|----------------------------|------------------|----------------|---|--|
| <b>Unrestricted income funds</b>    |  |                            |                  |                |   |  |
| General fund                        | 693,252  | 4,565,061                  | (4,483,285)      | 103,631        | -   | 878,659                                  |
| <i>Designated Funds</i>             |  |                            |                  |                |   |  |
| British Film Industry               | -  | -                          | -                | 64,444         | -   | 64,444                                   |
| Building fund                       | 33,010   | -                          | -                | -              | -   | 33,010                                   |
| Head lease fund                     | 5,504,856  | -                          | -                | -              | -   | 5,504,856                                |
| Capital fund                        | 709,544  | -                          | -                | -              | -   | 709,544                                  |
| Revaluation reserve<br>(head lease) | 1,435,600  | -                          | -                | -              | (880,000)                                       | 555,600                                  |
|                                     | <hr/>  | <hr/>                      | <hr/>            | <hr/>          | <hr/>   | <hr/>                                    |
|                                     | 8,376,262  | 4,565,061                  | (4,483,285)      | 168,075        | (880,000)                                       | 7,746,113                                |
|                                     | <hr/> <hr/>  | <hr/> <hr/>                | <hr/> <hr/>      | <hr/> <hr/>    | <hr/> <hr/>                                     | <hr/> <hr/>                              |

**British Film Industry**

Where British Film Industry income is unspent at the year end, the balance is transferred to a designated fund to ring-fence the unspent balance for the next year.

**Head Lease Fund**

The head lease fund (£5,504,856) represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007.

**Capital Fund**

Following the re-evaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

**Revaluation Reserve**

The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. This reduced during the year to reflect the movement in fair value in the year.

These three funds represent the head lease valuation of £6,770,000 and therefore do not form part of the freely available reserves of the Trust.

**Notes to the financial statements (continued)**

| <b>20 Restricted funds: Group and Charity</b> | <b>At beginning<br/>of year: 1 April<br/>2023</b> | <b>Income</b> | <b>Expenditure</b> | <b>Transfer to<br/>unrestricted<br/>income funds</b> | <b>At end of<br/>Year: 31<br/>March<br/>2024</b> |
|---|---|---------------|--------------------|--|--|
|   | <b>£</b>  | <b>£</b>      | <b>£</b>           | <b>£</b>   | <b>£</b>   |
| <b>Capital funds</b>                          |   |               |                    |  |  |
| Deferred capital grant                        | 4,796   | -             | -                  | (1,601)  | 3,195  |
| Deferred capital refurbishment grants         | 369,725   | -             | -                  | (137,462)  | 232,263  |
| Lottery lease purchase grant                  | 505,295   | -             | -                  | (8,712)  | 496,583  |
| ACE GforA capital grant                       | 27,689  | -             | -                  | (2,800)  | 24,889   |
| ACE small capital grant                       | 57,420  | -             | -                  | -  | 57,420   |
| Garfield Weston capital grant                 | 97,500  | -             | -                  | (10,000)   | 87,500   |
| Other capital funds                           | 270,625   | -             | -                  | (7,500)  | 263,125  |
|   | <u>1,333,050</u>                                  | <u>-</u>      | <u>-</u>           | <u>(168,075)</u>                                     | <u>1,164,975</u>                                 |

Transfer to unrestricted income funds is in respect of the annual release to the SOFA in respect of capital grants. Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

**Deferred capital grant**

Grant support to fund refurbishments undertaken in 2001/02 has been transferred to deferred capital grants and is being taken to income over the same period of time as the depreciation of the assets funded by the grants (25 years).

**Deferred capital refurbishment grants**

Grant support to enable refurbishment of the existing cinemas and the construction of new administration spaces, a third cinema screen, an extended café/bar facility and a new lift has been transferred to deferred capital grants and is being taken to income over a period of 25 years. The work commenced in December 2002.

**Lottery lease purchase grant**

Lottery Grant support from Arts Council England Stabilisation scheme to enable the Watershed's lease purchase has been transferred to deferred capital grants and is being taken to income funds over a period of 79 years to match the unexpired period of the lease.

**Garfield Weston capital grant**

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants. Since this project has been delayed, the funds have now been approved for use in supporting the refurbishment of Watershed's first floor toilets into a fully inclusive facility and are being taken to income over the same period of time as the depreciation of the assets it funds.

**Other capital funds**

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period as the depreciation of the assets it will fund once the capital project has been undertaken. Grant support from Bristol City Council towards the costs of refurbishing Watershed's first floor toilets into a fully inclusive facility. The funds are being taken to income over the same period as the depreciation of the assets it funds.

**Voluntary income and project funding from charitable activities**

Donated services and one-off grants received which are restricted by the donors are spent in accordance with the donors' restrictions. Revenue grants received for specific creative projects are categorised as income from charitable activities and the grants are spent in accordance with the donors' restrictions.

**Notes to the financial statements (continued)**

**21. Analysis of fund balances – group**

|  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | 2024<br>Total<br>£      | Restated<br>2023<br>Total<br>£ |
|--|----------------------------|--------------------------|-------------------------|--------------------------------|
| Fixed assets                           | 3,690,657                  | 1,164,975                | <b>4,855,732</b>        | 5,407,418                      |
| Investments                            | 3,297,900                  | -                        | <b>3,297,900</b>        | 3,726,500                      |
| Net current assets                     | 790,701                    | -                        | <b>790,701</b>          | 608,569                        |
| Long term liabilities                  | (29,690)                   | -                        | <b>(29,690)</b>         | (29,690)                       |
| Provisions for liabilities and charges | (3,555)                    | -                        | <b>(3,555)</b>          | (3,485)                        |
|  | <u>7,746,013</u>           | <u>1,164,975</u>         | <u><b>8,911,088</b></u> | <u>9,709,312</u>               |

**22. Operating leases as a lessee**

The future minimum lease payments under non-cancellable operating leases expected to be paid by the Charity and Group will fall due as follows:

|                            | 2024<br>Group and<br>Charity plant<br>and equipment<br>£ | 2023<br>Group and<br>Charity plant<br>and equipment<br>£ |
|----------------------------|--|--|
| Within one year            | <b>10,306</b>  | 10,306   |
| Between one and five years | <b>6,974</b>   | 17,280   |
| After five years           | -  | -  |
|                            | <u><b>17,280</b></u>                                     | <u>27,586</u>  |

**23. Operating leases as a lessor**

The future minimum lease payments under non-cancellable operating leases expected to be received by the Charity and Group are due to be received as follows:

|                            | 2024<br>Group and<br>Charity<br>leasehold<br>property<br>£ | 2023<br>Group and<br>Charity<br>leasehold<br>property<br>£ |
|----------------------------|--|--|
| Within one year            | <b>245,835</b>   | 245,835  |
| Between one and five years | <b>691,057</b>   | 737,505  |
| After five years           | -  | 199,387  |
|                            | <u><b>936,892</b></u>                                      | <u>1,182,727</u>   |

**Notes to the financial statements (continued)**

**24. Related party transactions**

During the year legal fees of £4,350 (2023: £7,342) were paid to TLT LLP in respect of legal services provided to the Watershed Group. (James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP).

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in June 2016.

The Board has delegated authority to the Chief Executive Officer to instruct TLT LLP, or any other law firm, on matters where the total fee charged on that transaction does not exceed £10,000. Transactions above this limit are approved by the Board. James Touzel absents himself from any discussion of any proposal to instruct TLT LLP or to approve fee proposals submitted by TLT LLP.

Notes to the financial statements *(continued)*

**25. Comparative statement of financial activities – as restated**

|   | <i>Note</i> | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total<br>Funds<br>2023<br>£ |
|---|-------------|----------------------------|--------------------------|-----------------------------|
| <b>Income</b>   |             |                            |                          |                             |
| <b><i>Voluntary income</i></b>                              |             |                            |                          |                             |
| <i>Donations and legacies</i>                               |             |                            |                          |                             |
| Individual giving   |             | 36,691                     | -                        | 36,691                      |
| Regular grant funding                                       | 2           | 812,384                    | -                        | 812,384                     |
| <i>Other trading activities</i>                             |             | -                          | -                        |                             |
| Commercial trading operations                               | 4           | 1,588,256                  | -                        | 1,588,256                   |
| <i>Investment income</i>                                    |             |                            |                          |                             |
| Interest receivable   |             | 332                        | -                        | 332                         |
|   |             | 2,437,663                  | -                        | 2,437,663                   |
| <b><i>Income from charitable activities</i></b>             |             |                            |                          |                             |
| Earned income from cinema activities                        |             | 744,054                    | -                        | 744,054                     |
| Rental income   |             | 198,585                    | -                        | 198,585                     |
| Service charges   |             | 161,725                    | -                        | 161,725                     |
| Other earned income   |             | 142,790                    | -                        | 142,790                     |
| Programme funds   | 2           | 9,674                      | 1,396,717                | 1,406,391                   |
|   |             | 1,256,828                  | 1,396,717                | 2,653,545                   |
| <b><i>Other income</i></b>                                  |             |                            |                          |                             |
| Capital grants  |             | -                          | 200,000                  | 200,000                     |
| <b>Total income</b>   |             | <b>3,694,491</b>           | <b>1,596,717</b>         | <b>5,291,208</b>            |
| <b>Expenditure</b>  |             |                            |                          |                             |
| <b><i>Costs of raising funds</i></b>                        |             |                            |                          |                             |
| Fundraising costs   | 6           | (55,126)                   | -                        | (55,126)                    |
| Commercial trading operations                               | 4           | (1,268,265)                | -                        | (1,268,265)                 |
|   |             | (1,323,391)                | -                        | (1,323,391)                 |
| <b><i>Charitable activities</i></b>                         |             |                            |                          |                             |
| Operation of cinema, engagement and creative media projects | 7           | (2,942,989)                | (1,396,717)              | (4,339,706)                 |
| CIC operation   | 5           | (813)                      | -                        | (813)                       |
| Property management costs                                   |             | (84,171)                   | -                        | (84,171)                    |
| <b>Total expenditure</b>                                    |             | <b>(4,351,364)</b>         | <b>(1,396,717)</b>       | <b>(5,748,081)</b>          |
| Net income/(expenditure) before transfers                   |             | (656,873)                  | 200,000                  | (456,873)                   |
| Transfers between funds                                     | 19/20       | 126,123                    | (126,123)                | -                           |
| Net movement in funds                                       |             | (530,750)                  | 73,877                   | (456,873)                   |
| <b><i>Reconciliation of funds</i></b>                       |             |                            |                          |                             |
| Total funds brought forward                                 |             | 8,907,012                  | 1,259,173                | 10,166,185                  |
| <b>Total funds carried forward</b>                          |             | <b>8,376,262</b>           | <b>1,333,050</b>         | <b>9,709,312</b>            |

## Notes to the financial statements *(continued)*

### 26. Prior Year Adjustments

#### **Classification of the head lease as a mixed use property**

During the year it was identified that the head lease had not been classified in accordance with the requirements of the Charities SORP. Previously the full value of the lease was included within tangible fixed assets.

The head lease is a mixed-use property under Paragraph 10.47 of the Charities SORP. Units which are leased to third party tenants on commercial terms are required to be classified as investment property. Only the units which are occupied by the charity should be classified as tangible fixed assets.

Accordingly, a prior period adjustment has been made to correctly classify the lease in accordance with these requirements. As a result, £3,726,500 was reclassified from tangible fixed assets to investment property.

There was no net impact on net assets as a result of this adjustment, it is purely a reclassification.

#### **Impairment of development costs**

During the year it was identified that included within fixed assets were professional fees of £211,707 in relation to a potential capital development project which had been considered in earlier years.

As a result of the COVID pandemic, the project was not progressed, and therefore the associated professional fees of £211,707 should have been written off at that point.

Accordingly, a prior period adjustment has been made to write off these costs, as the decision not to proceed with the development was made a number of years prior to the current financial year.

The impact of the adjustment is to reduce opening reserves by £211,707, and to reduce leasehold improvements (within tangible fixed assets) by £214,058 and to reduce accumulated depreciation on leasehold improvements by £2,351.

The net impact of this adjustment is to reduce opening reserves (the Bristol + unrestricted designated fund) by £211,707.



**THE WATERSHED ARTS TRUST LIMITED**

England & Wales - Charity number 284188

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# Accounts

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**Watershed Arts Trust Limited**  
**(a company limited by guarantee)**

**Report of the Board and consolidated financial statements**

**Registered company number 01608779**

**Registered charity number 284188**

**Year ended 31 March 2023**

**Contents**

|  |         |
|--|---------|
| Strategic report   | 2 - 12  |
| Trustees' report   | 13 - 15 |
| Independent auditors' report to the members of Watershed Arts Trust Limited (a company limited by guarantee) | 16 - 19 |
| Consolidated statement of financial activities (including an income & expenditure account)                   | 20      |
| Consolidated cash flow statement   | 21      |
| Consolidated and company balance sheets  | 22      |
| Notes  | 23 - 42 |

## Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2023. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, 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 2019) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Trustees confirm that they have given regard to the Charity Commission's guidance on public benefit in directing the activities of the charity.

## Introduction

Watershed is a cultural organisation focussed on togetherness. We produce accessible and inclusive experiences that fire up the imagination in our venue, online and across the world.

We are recognised internationally as a leading centre for film culture, art and technology practice, and talent development programmes. Our values sit at the heart of everything we do, both creative and operational.

Watershed was 40 on 7 June 2022. After four decades of bringing people together on Bristol's harbourside, we spent the year undertaking work with our communities on what they value from us and what they want us to be.

The year saw some physical changes in the Watershed building, including new plants and pictures throughout the Café & Bar designed to brighten things up and share more about what we do with people visiting the building.

We also opened our new toilets, a huge and sometimes challenging endeavour to create facilities that provide a truly inclusive welcome. The response to the bright, accessible and comfortable toilets has been amazing and we are very proud of them - with very few public toilets open in the city centre we think it's an important part of our public service to make our toilets available to everyone whether they are a customer or not. Our toilets stock free period products and are serving all our communities.

In June we had a birthday party and invited everyone - randomly selecting the guest list via a lottery system. We shared memories of the past and hopes for the future with an evening designed by Studio Susegad for comfort and kindness.

In recognition that many of our audiences continued to be impacted by the pandemic, we continued to make events available online or and held regular masked and socially distanced screenings. Nevertheless, the easing of restrictions has enabled us to offer a huge range of opportunity for people to connect with each other and to unusual experiences – from Q&As with renowned film directors and belly dancing robots, to a VR experience of space travel – and we have found great appetite amongst our community for new things.

Like everyone across the sector, Watershed experienced an extremely challenging year financially, causing us to make a larger deficit than planned. From cleaning to security to utilities, there was an unprecedented rise in costs due to inflation and the increased cost of living. Alongside this, due to the mix of complex, interlocking changes in the exhibition sector (covid, the rise of streaming, lack of product, changed behaviour) we continued to experience a reduction in audience numbers – 31.5% lower than pre-pandemic levels of business.

### **Strategic report (continued)**

We made significant cuts and changes to our business, staffing levels and approach in order to increase profitability and reduce cost and expect to see these changes mitigate some of the losses in the next year, but cinema exhibition particularly remains a concern going forward.

#### **Report on 2022/23 Priorities**

Our priorities balanced the challenges of recovery with our need to create consistent, appropriate systems and policies across the organisation. We used the foundations of our values to guide us rather than foregrounding numerical targets.

#### **Inclusive**

We completed the capital upgrade of All Gender toilets to ensure they are welcoming, accessible and fit for purpose.

#### **Open and Honest**

People Strategy: we delivered a new intranet, including updated and refreshed policies and an inclusive recruitment framework to ensure consistency across the organisation.

#### **Make Things Happen**

We inducted six new Board members to improve diversity and bring in specialisms around cultural cinema, hospitality and environment.

#### **Entrepreneurial**

Climate Justice – we rolled out carbon literacy training for all staff, and completed a Carbon footprint analysis so that we could begin to plan for environmental improvements to our building.

#### **Celebratory**

We delivered Watershed 40 - a community engaged programme to explore what does Bristol wants from Watershed for the next 40 years.

#### **Achievements and performance**

Watershed is one of Europe's leading independent cultural cinemas, the only multi-screen cultural cinema in the Southwest and one of very few places outside London where UK audiences can engage with a year-round programme of world cinema. We are a key stakeholder in Bristol UNESCO City of Film. We are the Film Hub Lead Organisation for Film Hub Southwest as part of the UK wide BFI Network and home to two Talent Executives as part of BFI Network.

We established the Pervasive Media Studio in 2008 and its ethos of collaborative innovation has grown an international reputation and network. We gift space to over 180 residents and have a rich network of over 450 creatives.

Our Café and Bar provides a welcoming city centre hospitality offer with a thoughtfully sourced menu and an emphasis on vegetarian and vegan dishes. We play a trusted connector role in the Bristol creative ecology, and we are home to a range of conferences and events. We leverage funding, commissions and opportunities for others and have long term strategic collaborations with universities and local authorities.

### Strategic report (continued)

- 1.3 million people visited us on the web.
- 290,000 people visited our building.
- 116,000 people bought tickets for our venue screenings and events.
- We screened 370 film titles, over 3,200 screenings.
- 19,300 people engaged with our online programme.
- 24,700 young people engaged with our programme.
- 7,465 people engaged with projects beyond the venue.
- 180 artists and creatives are resident in the Pervasive Media Studio
- 79 full time equivalent jobs at Watershed
- Watershed Group turnover in 2022/23 was £5,291,208.
- Pervasive Media Studio residents reported turnover in excess of £3.9 million.
- Pervasive Media Studio residents reported secured research funding in excess of £2.3 million.

And, as the world faces major change and uncertainty, we believe in making space for people to come together and collectively imagine creative solutions to the problems we face. We do this by:

- supporting artists, filmmakers, producers, curators, and exhibitors from all disciplines.
- providing free studio space, funding, business development, coaching and advocacy for creatives – ensuring it is relevant and highly tailored to their needs.
- working with creatives at all stages of their careers – curating talent pathways that enables artists and film makers across the world to develop meaningful and sustainable careers.
- connecting artists to audiences through our venue and public programme.
- centring ethics, inclusion, and climate justice in our work with creatives – supporting them to address the important issues of our time and improving the quality of public discourse around the future.

“Can we also shout out our venue @wshed for being super inclusive” @digitalgaggle.

“Was in @wshed last night for a drink and imho it is by far the nicest place in Bristol city centre to meet people. Felt buzzing but people were being really respectful of each other (elsewhere in town, less so!). Also, nice gin. - @jojoharper

“Big thanks to all the staff for making visits such a pleasure. The door security, cinema staff, box office and cafe/bar staff all provide a wonderful service and greatly appreciated - @Bishopston”

### Highlights

Watershed’s programme centres around twin pillars of cultural cinema and creative technology – with an increasing focus on the emerging overlaps between the two forms.

### Cinema

The year was one of highs and lows, with early celebrations of the return of the big screen experience including Cinema Rediscovered in July - ‘The UK’s leading festival dedicated to classic cinema’ (Sight & Sound).

“I’ve just got home from @CineRedis and head spinning from all of the incredible films, people, discourse, warmth and insights from what has to be the best year of the festival so far (from my humble perspective) ...”  
Audience Comment

### Strategic report (continued)

The sixth festival took place 22-24 July 2022 at cinemas including 20th Century Flicks, Clevedon's Curzon Cinema & Arts and Watershed celebrating the return of the big screen experience before going on a UK and Ireland wide tour with the support of BFI awarding funds from National Lottery. Reaching a total of 5,127 audiences in Bristol (191% + on 2021), there was also a substantial UK tour of 43 screenings in 31 cinemas across the UK and Ireland.

While the awards season did not do as well as hoped, event-based cinema activity continued to attract larger audience sizes particularly for smaller more independent films. They also allowed us to target the filmmaking community and work in partnership with Film Hub SW and BFI NETWORK. Partnership and event-based activity were also key in delivering rich cultural range and depth and wider audience engagement. These included the second Cables and Cameras INSPIRED programme celebrating home-grown filmmakers of colour from across the country.

"What a movie, inspired me to do great things and to never back down from challenges".

Audience member feedback from Cables & Cameras Inspired event.

### Film Hub South West

With BFI2022 wrapping up new [BFI Screen Culture 2033](#) launching, much of our focus has been on sector consultation and setting up the new structure - see [reflections](#).

Highlights included supporting a series of South West previews of Mark Jenkin's feature, *Enys Men*, reaching over 1,000 admissions.

The Film Exhibition Fund open call resulted in £77K being awarded to 16 organisations and the Pitch Pot awarded £22,500 to 23 organisations.

We launched a [Cinema Business Resilience Incubator](#) led by Upstarter supporting a cohort of 7.

Beyond Boundaries supported creatives such as Hana Nour-Elmi who was referred to us by programme alumnus Gary Thompson (Cables & Cameras) to put on her first screening (*The Watermelon Woman*.)

12 applicants were selected from 300 applications to the new Channel 4 New TV Drama Writers scheme.

5 Early Development projects and 6 Short Film projects were awarded a total of £86,875 funding) – see our [trailer and catalogue of films](#).

*Shorts2Features*, our career-development programme aimed at helping [10 south west-based talent](#) launched at Encounters with 100% of the cohort closer to their goals post programme.

We also ran a New Voices: Amplified talent mixer for alumni in collaboration with Black Wave and Little by Little.

*"[It's] been an amazing thing to be a part for me personally. I consider myself a disabled artist [and] I'm moving forward, with the help of this scheme. Everyone has been fantastic, really great, thank you."* **New Voices Participants Feedback**

*"A huge thank you for organising such a brilliant and positive event last week with us at Channel 4. It's one of the things we have been wanting to do with the Hub from the outset and COVID got in the way. It feels good to be making moves in the right direction."* **Sacha Mirzoeff, Head of C4 Bristol Hub**

## Strategic report (continued)

### Creative Technology

'The Studio is a unique space for fostering the unique energies of its residents. As a Black creative it is also an escape from the performative and narrow expectations outside. I feel I meet other black creatives in a space of openness and freedom which we struggle to find easily outside' Dr Edson Burton (Pervasive Media Studio Resident)

This year we undertook our open call for our Winter Residency programme using random selection for shortlisting to reduce the amount of unpaid artists time that goes into applications and lower the barrier to entry. We received 272 applications (we usually receive around 70). Whilst the feedback from artists was mixed, we were extremely pleased with the results which delivered a diverse and brilliant cohort. We shared our thinking around random selection with the sector and have been asked to create a 'How to guide' by Jerwood Arts Foundation.

We began to transition our work with young people to focus on creative technology and film practice, which meant shifting away from journalism and closing Rife Magazine. Consultation with our community of young creatives told us they need longer term opportunities which offer expertise in business skills, ideation, and new forms of creative practice. As we transitioned from Rife, we delivered Future is Collective a programme of work funded by Arts Council England propelling community and climate activism by offering support and development to freelance creatives. We also hosted a fortnight of work experience of 15 students spanning years 10-13 who came to Watershed from 9 schools across Bristol for an eclectic programme spanning film, creative technology, sustainability and storytelling.

"It's given me the confidence that I am able to independently produce things, as well as learning about other jobs in the creative industry. I have thoroughly enjoyed having my work experience in such a wonderful place, along with many helpful and pleasant people. Thank you :)" Year 10 Work Experience participant, July 2022

We released the Creative Climate Action Toolkit as part of Bristol+Bath Creative R+D, aimed at supporting freelancers and SMEs to begin their climate action journey.

And finally, we celebrated Pervasive Media Studio's 15<sup>th</sup> birthday with a series of talks, sharing past projects with public audiences and a family focussed Open Saturday – welcoming over 900 people to engage directly with our work over these two events. Beyond that Studio Residents had a great year for sharing what they do, reaching audiences of over 129 million across the world.

### 2023 - 2024 Organisational Priorities

Watershed's organisational priorities for 2023-2024 fall under two central themes: values and profitability. Some may have been identified as key organisational priorities as they speak to our values - the core of who we are now and who we want to be in the future - and some have been designed to contribute to profitability, which is urgent and necessary in changing and challenging times. Many are both. Central to everything is our need to reduce our deficit and identify a sustainable business model for the coming years.

#### Business Development

- Design and test profitability initiatives including focus on quieter summer period.
- Begin to work with sponsor brands and incorporate new sponsorship strand into strategy.
- Select and roll out new box office system to enable us to make data driven commercial decisions for programming and cinema operations.
- Improvement of Finance systems to enable more efficiency and better reporting.

## Strategic report (continued)

### Programming

- Establish an organisation wide programming strategy with cross organisational themes.
- Develop R&D You Can See. A new public programme that seeks to engage the public in early-stage creative technology R&D through weekly talks, open studios, monthly networking events and showcasing/R&D testing in Watershed social spaces.
- Develop and launch Undershed immersive gallery.

### Environment

- Focus on planning and fundraising to make our building more thermally efficient.
- Better capture our emissions from travel in our carbon foot printing methodology and update our travel policy.

### People

- Review and update all staff contracts.
- Produce an employee equity programme, which will include coaching and support for staff members who are racialised as black and brown.

### Audiences

- Launch new accessibility register.
- Continue to reach new and underrepresented audiences with a new focus on those from lower socioeconomic backgrounds.

### Risk Management

Effective risk management is crucial to Watershed thriving in the changeable environment in which it operates. Watershed's risk management strategy ensures that the organisation can:

- Maintain a resilient, flexible, and viable operation.
- Make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

Watershed's risk register identifies the key areas of risk the business faces, assesses the indicators, likelihood and impact of those risks and identifies the actions required in order to mitigate them should they arise.

The risk register is created and regularly reviewed by the Board and the Executive team. Watershed's risk management strategy involves maintaining:

- Procedures to ensure early detection of identified and emergent risks.
- Regular monitoring of key performance indicators across the organisation
- Procedures to effectively mitigate identified risks.
- Procedures to minimise the impact on the organisation should identified risks materialise.

## Strategic report (continued)

### Principal risks and uncertainties

Watershed's assessment of risk has been reviewed in light of the continuing challenging circumstance and the key risks facing the company have been identified as:

#### Business Model

- Trend analysis and historic data cannot be relied upon as patterns are changing.
- Increases in salary costs, services and purchasing and utilities.
- Public funding not increasing year on year to match inflation.
- Changing cinema context - Distributors reduce marketing spend which reduces audience reach, streamers buy up films and they don't get cinema release.

#### People and Culture

- Recruitment and retention of appropriate staff teams and talent
- Impact of cost-of-living crisis on mental health

#### Building and Systems

- Systems infrastructure with unreliable and unsupported legacy systems impacting operational efficiency.
- Financial reporting and planning failing to meet organisational need, due to poor financial systems and controls.
- Fall behind with critical building work or fixed asset replacement causing Facilities/equipment to be no longer fit for purpose or meet customer expectations.

#### Values

- Failure to meet our commitment to carbon neutral plan.
- Watershed causes harm to participants in programmes due to lack of diversity / understanding of structural ableism / understanding of structural racism.

For each of these risks, Watershed has in place indicators and mitigating actions to monitor, avoid, mitigate or transfer the impact of its principal risks and uncertainties. The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register.

### Fundraising

Watershed is committed to the highest fundraising standards and believes that it is important that all our fundraising activities are clear, open, honest, respectful, and compliant.

Watershed is registered with the Fundraising Regulator. We commit to its Fundraising Promise and follow its Code of Fundraising Practice. Watershed raise funds via multiple fundraising activities, including postal and digital appeals, events and fundraising that has been organised by others on our behalf. We ensure compliance with these standards by:

- Our Development Manager ensures that all those engaging in fundraising for Watershed are aware of the Code of Fundraising Practice and any updates.
- Fundraising is conducted in line with our Fundraising Policy and supporters can raise an issue or complain about our fundraising activities as outlined in our Fundraising Feedback, Compliments and Complaints Policy.
- Fundraising complaints are monitored, recorded, and reported annually to the Fundraising Regulator by the Development Manager. There were no complaints or concerns received during the year.

### Strategic report (continued)

- We value all our donors, no matter what they donate, will treat them fairly and with respect as well as being accountable for the resources given to us.
- We will not fundraise in a way which is an unreasonable intrusion on a person's privacy, is unreasonably persistent or places undue pressure on a person to donate.
- We will consider the needs of any possible donor who may be in vulnerable circumstances or need extra care and support to make an informed decision and will not take a donation if we believe this is appropriate.

### Financial review

#### Overview

The consolidated results set out on page 21 show a deficit of £456,873, for the year (2022: deficit of £21,614). The deficit on unrestricted funds for the year totalled £530,750 (2022: surplus of £12,634).

Before transfers between funds, Watershed showed an unrestricted deficit of £656,873, reflecting the challenging operating and trading conditions over the year as the venue re-opened following the pandemic. Unrestricted income (excluding income from restricted programme funds) was £3.69 million during the year and unrestricted expenditure (excluding programme costs) was £4.35 million.

Overall, designated funds which support the creative programme have decreased by £103,306 in the year (2022: decrease of £35,392).

#### **Subsidiary Company Results**

The charity's wholly owned subsidiary, **Watershed Trading Limited**, continued to operate Watershed's café/bar and conference facilities.

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust and form a key part of the Watershed offer, providing a welcoming, open and inclusive meeting place for all to enjoy.

Watershed Trading Limited generated a profit before tax of £138,101 (2022: profit of £15,865). Donations were made through gift aid to the Charity, based upon the previous year's trading (2022: £5,263).

The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £1,147,603 (2022: £708,409).
- Conference sales generated £430,297 (2022: £160,409).

The charity's wholly owned subsidiary, Watershed Ventures CIC, did not carry out any activity in the current or previous year. In the year, Watershed Ventures CIC made no donations (2022 £nil) through gift aid to the Charity and generated a loss before tax of £591 (2022: loss of £501) and total revenue of £nil (2022: £nil).

No activity was undertaken by Watershed Ventures CIC in 2022/23 and no activity is currently planned for the 2023/24 financial year.

## Strategic report (continued)

### Financial monitoring and control

Watershed's financial systems enable early detection of potential problems allowing actions to be taken to mitigate any likely impact in a timely manner, including:

- A careful and prudent budgeting process to ensure that financial targets (income and costs) are realistic and achievable.
- Production of monthly management accounts to assess overall Group performance against budget.
- Weekly and monthly sales reports ensure that progress against sales targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take.
- Financial performance is reviewed regularly by Watershed's Executive team and quarterly by Watershed's Finance Sub-Group and Board.
- The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.
- Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis.

Watershed's income portfolio includes:

#### Programme Funds

Programme funds received through partnership agreements, restricted project grants and contracts for services account 26% of Watershed's income in 22/23 (down from 31% in 2021/22). Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2022/23 programme funds (excluding regular funding from ACE) totalled £1.406 million (21/22: £1.419 million). Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

#### Unrestricted Grants

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council. Although these funds account for a relatively small portion of Group turnover (15%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer. 2022/23 was an agreed extension year to the 4-year relationships with both funders, with new applications for year funding being submitted to both. ACE have confirmed that Watershed will remain within its portfolio in 23/24 at standstill funding. Bristol City Council is having agreed an additional extension year, whilst its own funding processes are reviewed.

#### General Fundraising

In the 2022/23 financial year Watershed secured £36,691 (2022: £30,125) from fundraising through individual giving and private sponsorship.

#### Commercial sales - Café/bar and Conference

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 27% of Group turnover in 2022/23, compared to 19% in 2021/22. The café/bar provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values. Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Watershed intends to further develop their broadcasting package to provide clients with a professional, high spec on-line experience for conference delegates.

## **Strategic report (continued)**

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme.

### **Cinema sales**

Cinema ticket sales accounted for 14% of Group turnover in 2022/23, compared to 10% of Group turnover in 2021/22. Again, sales in the year have recovered compared to the prior year but remain below the pre-COVID19 levels. Watershed considers and balances the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged.

### **Property Income**

Rental income received from Watershed's head lease tenancies continue to be applied to the charitable objectives of the Arts Trust. The property income in the year was 4% of the group turnover for 2022/23. Watershed continues to provide additional working space to a variety of small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate.

### **Reserves policy**

Watershed's reserves policy was last reviewed in light of the Coronavirus pandemic at a meeting of the Trustees in June 2021.

### **Overview**

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate existing financial challenges and manage unforeseen financial challenges, with the ability to invest in its future.

In establishing the level of reserves appropriate to its business, Watershed has considered:

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

### **Reserves**

Watershed reserves are split into the following funds:

#### **General Fund**

The General Fund ensures that Watershed has the funds to meet its obligations as they fall due in the event of a loss of income or the need to close. In 2020/21, Watershed Trustees increased the general reserves target to 3 months of Group operating costs, which amounts to £870,000 in 2023.

On 31 March 2023, Watershed's General Fund was £693,253. By the end of 23/24 General Fund Reserves are estimated to stand at £620,000, which will fall below target.

The trustees are satisfied that should we encounter such financial difficulties that we have to close for good, we would have the option of selling the Watershed building to generate funds to pay out all-outstanding debts to all parties involved. If instead we were to experience another period of enforced closure, our pandemic experience suggests that at least 50% of business would be able to continue trading and therefore the General Fund would be able to support the business for around 3 months. The General Fund target will be regularly reviewed by Trustees.

## Strategic report (continued)

### Building Fund (Bristol +)

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

The level of reserves currently held in the Building Fund, at £244,717, is deemed appropriate. Pre-COVID-19, this fund was used to underwrite the costs of Watershed's planned capital development whilst fundraising for the project was/is ongoing. This development is on pause whilst the business is stabilised due to COVID-19, but the goal is to create a model which is more resilient and sustainable, both financially and environmentally once the capital development is completed.

### Designated Funds

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds. This policy was last reviewed by Trustees in June 2023 and will be looked at again on a quarterly basis.

As at 31 March 2023, Watershed's reserves comprise\*:

|   |           |
|---|-----------|
| General fund                              | £ 693,252 |
| Building Fund (previously Bristol + fund) | £ 244,717 |
| Total                                     | £ 937,969 |

\*Note – net current assets available at 31 March 2023 stand at £608,570

Following the revaluation of the head lease in July 2019, accumulated depreciation charges have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

The new head lease valuation of £7,650,000 is represented as:

|                            |            |
|----------------------------|------------|
| Head lease designated fund | £5,504,856 |
| Capital designated fund    | £ 709,544  |
| Revaluation reserve        | £1,435,600 |
| Total                      | £7,650,000 |

These funds represent a tangible fixed asset from which Watershed operates, which are fundamental to the delivery of the business plan. They are therefore not included in Watershed's unrestricted reserves.

## **Trustees' report**

### **Structure, governance and management**

Watershed is structured as a group of three companies, the parent company Watershed Arts Trust Limited and two wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality and Watershed Ventures is a CIC which we are not currently delivering any activity through.

Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

The Board of Trustees, which governs the Charity, meets five times a year. Potential members are invited to attend Board meetings as observers for a short period of time. In due course official appointment is made by serving members if deemed appropriate. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance. Watershed's Board of Trustees are volunteers and receive no remuneration.

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations. The Board review and approve changes to key management's remuneration.

### **Statement of responsibilities of the Trustees of Watershed Arts Trust Limited in respect of the Board of Trustees report and the financial statements**

The Trustees, who are also directors of the charitable company for the purposes of company law, are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP
- 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 its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its 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.

## **Trustees' report (continued)**

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

### **Reference and administrative details**

Watershed Arts Trust Limited was incorporated as a company limited by guarantee on 19 January 1982. The company was registered with the charity commission on 18 March 1982. The wholly owned subsidiary Watershed Trading Limited was incorporated on 12 March 1982. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

The members of the Board of Trustees who served during the year and post year end and who constitute directors for Companies Act purposes are listed below.

#### **Trustees**

James Touzel, (Chair)  
Tricia Tuttle, (Deputy Chair), appointed 9th February '22  
Kate Arthurs, (Secretary), appointed 9th February '22  
Stephen Gatfield  
Sherrie Eugene  
Jane Roscoe , resigned June 22  
Parys Gardener  
Sidharth Sharma  
Louise deCordova  
Louise Goux Wirth  
Charlotte Lester  
Lisa Gardner, resigned 22nd March '23  
Sue Cooper, resigned 7th December '22  
Sharmaine Lovegrove, resigned 1st October '23  
Paul Appleby, resigned March '22

|                          |   |
|--------------------------|---|
| Secretary:               | Kate Arthurs  |
| Chief Executive Officer: | Clare Reddington  |
| Charity number:          | 284188  |
| Company number:          | 01608779  |
| Registered Office:       | 1 Canon's Road, Harbourside, Bristol, BS1 5TX                                 |
| Auditors:                | Saffery LLP, St. Catherine's Court, Berkeley Place, Clifton, Bristol, BS8 1BQ |
| Bankers:                 | HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA             |
| Solicitors:              | TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP                                  |

#### **Disclosure of information to auditors**

The Trustees who held office at the date of approval of this Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

#### **Auditors**

Watershed's Board of Trustees re-appointed auditors Saffery LLP at its Board meeting held on 20th September 2023.

By order of the Board



J Touzel  
Chair of the Board

1 Canon's Road  
Bristol  
BS1 5TX

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee)**

### **Opinion**

We have audited the financial statements of Watershed Arts Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, 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, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2023 and of the group's 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 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 group and parent charitable 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**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

### **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 Trustees' Annual Report which includes the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report which includes the Strategic Report.

We have nothing to report in respect of the following matters where 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 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.

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also directors of the charitable company for the purposes of company law) 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 group and the parent charitable 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 group or charitable company or to cease operations, or have no realistic alternative to do so.

**Auditor's responsibilities for the audit of the financial statements**

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

**Identifying and assessing risks related to irregularities:**

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sectors in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

**Audit response to risks identified:**

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

**Use of our report**

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditors' 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 parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....  
**Michael Strong (Senior Statutory Auditor)**  
For and on behalf of Saffery LLP

|                       |                      |
|-----------------------|----------------------|
| Chartered Accountants | St Catherine's Court |
| Statutory Auditors    | Berkeley Place       |
|                       | Clifton, Bristol     |
| Date:                 | BS8 1BQ              |

Saffery LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Consolidated statement of financial activities (including an income & expenditure account)**  
*for the year ended 31 March 2023*

|   | Note | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total Funds<br>2023<br>£ | Total Funds<br>2022<br>£ |
|---|------|----------------------------|--------------------------|--------------------------|--------------------------|
| <b>Income</b>   |      |                            |                          |                          |                          |
| <b>Voluntary income</b>   |      |                            |                          |                          |                          |
| <b>Donations and legacies</b>   |      |                            |                          |                          |                          |
| Individual giving   |      | 36,691                     | -                        | 36,691                   | 30,125                   |
| Donated services  |      | -                          | -                        | -                        | 3,854                    |
| Regular grant funding   | 4    | 812,384                    | -                        | 812,384                  | 812,384                  |
| Arts Council England Cultural Recovery Grant  | 4    | -                          | -                        | -                        | 398,326                  |
| <b>Other trading activities</b>   |      |                            |                          |                          |                          |
| Commercial trading operations   | 6    | 1,588,256                  | -                        | 1,588,256                | 862,871                  |
| <b>Investment income</b>  |      |                            |                          |                          |                          |
| Interest receivable   |      | 332                        | -                        | 332                      | 27                       |
|   |      | <u>2,437,663</u>           | <u>-</u>                 | <u>2,437,663</u>         | <u>2,107,587</u>         |
| <b>Income from charitable activities</b>  |      |                            |                          |                          |                          |
| Earned income from cinema activities  |      | 744,054                    | -                        | 744,054                  | 462,869                  |
| Rental income   |      | 198,585                    | -                        | 198,585                  | 171,684                  |
| Service charges   |      | 161,725                    | -                        | 161,725                  | 124,828                  |
| Other earned income   |      | 142,790                    | -                        | 142,790                  | 89,413                   |
| Programme funds   | 4    | 9,674                      | 1,396,717                | 1,406,391                | 1,419,621                |
|   |      | <u>1,256,828</u>           | <u>1,396,717</u>         | <u>2,653,545</u>         | <u>2,268,415</u>         |
| <b>Other income</b>   |      |                            |                          |                          |                          |
| Government grants (COVID support)   | 4    | -                          | -                        | -                        | 142,256                  |
| Capital grants  |      | -                          | 200,000                  | 200,000                  | 75,000                   |
| <b>Total income</b>   |      | <u>3,694,491</u>           | <u>1,596,717</u>         | <u>5,291,208</u>         | <u>4,593,258</u>         |
| <b>Expenditure</b>  |      |                            |                          |                          |                          |
| <b>Costs of raising funds</b>   |      |                            |                          |                          |                          |
| Fundraising costs   | 8    | (55,126)                   | -                        | (55,126)                 | (52,540)                 |
| Commercial trading operations   | 6    | (1,268,265)                | -                        | (1,268,265)              | (902,998)                |
|   |      | <u>(1,323,391)</u>         | <u>-</u>                 | <u>(1,323,391)</u>       | <u>(955,538)</u>         |
| <b>Charitable activities</b>  |      |                            |                          |                          |                          |
| Operation of cinema, engagement and creative media projects                         | 9    | (2,942,989)                | (1,396,717)              | (4,339,706)              | (3,578,207)              |
| Donated services  |      | -                          | -                        | -                        | (3,854)                  |
| CIC operation   | 7    | (813)                      | -                        | (813)                    | (504)                    |
| Property management costs   |      | (84,171)                   | -                        | (84,171)                 | (76,769)                 |
| <b>Total expenditure</b>  |      | <u>(4,351,364)</u>         | <u>(1,396,717)</u>       | <u>(5,748,081)</u>       | <u>(4,614,872)</u>       |
| Net income/(expenditure) before transfers and Net income/(expenditure) for the year |      | (656,873)                  | 200,000                  | (456,873)                | (21,614)                 |
| Transfers between funds   | 20   | 126,123                    | (126,123)                | -                        | -                        |
| Net movement in funds   |      | <u>(530,750)</u>           | <u>73,877</u>            | <u>(456,873)</u>         | <u>(21,614)</u>          |
| <b>Reconciliation of funds</b>  |      |                            |                          |                          |                          |
| Total funds brought forward   |      | 9,118,719                  | 1,259,173                | 10,377,892               | 10,399,506               |
| <b>Total funds carried forward</b>  |      | <u>8,587,969</u>           | <u>1,333,050</u>         | <u>9,921,019</u>         | <u>10,377,892</u>        |

Incoming resources and resulting net movement in funds in each year arise from continuing operations. The group has no recognised gains or losses for the current or previous year other than those shown above.

**Consolidated cash flow statement  
for the year ended 31 March 2023**

|  | <b>2023</b>      | <b>2022</b>     |
|--|------------------|-----------------|
|  | £                | £               |
| <b>Cash flows from operating activities</b>              |                  |                 |
| Net (outgoings)/income                                   | (456,873)        | (21,614)        |
| Depreciation of tangible assets                          | 187,741          | 175,920         |
| Depreciation write-off (head lease)                      | -                | -               |
| Loss on disposal of fixed assets                         | -                | -               |
| Taxation   | -                | -               |
| Change in trade and other debtors                        | (365,745)        | 23,126          |
| Change in stocks   | (1,420)          | (9,182)         |
| Change in trade and other creditors                      | 72,547           | (48,251)        |
| <b>Net cash flow generated from operating activities</b> | <b>(563,750)</b> | <b>119,999</b>  |
| <b>Cash flows from investing activities</b>              |                  |                 |
| Purchases of tangible assets                             | (365,223)        | (64,387)        |
| <b>Net cash from investing activities</b>                |                  | <b>(64,387)</b> |
| <b>Cash flows from financing activities</b>              |                  |                 |
| Decrease in loan/long term creditors                     | -                | -               |
| <b>Net cash flows from financing activities</b>          | <b>-</b>         | <b>-</b>        |
| Cash at bank and in hand at beginning of year            | 1,778,299        | 1,722,687       |
| Cash at bank and in hand at end of year                  | 848,949          | 1,778,299       |

**Analysis of changes in net debt**

|              | At 1 April 2022  | Cashflows        | At 31 March 2023 |
|--------------|------------------|------------------|------------------|
|              | £                | £                | £                |
| Cash         | 1,778,299        | (928,973)        | 849,949          |
| <b>Total</b> | <b>1,778,299</b> | <b>(928,973)</b> | <b>848,949</b>   |

Consolidated and company balance sheets  
 at 31 March 2023

|  | Note | Group            |                   | Charity          |                   |
|--|------|------------------|-------------------|------------------|-------------------|
|  |      | 2023             | 2022              | 2023             | 2022              |
|  |      | £                | £                 | £                | £                 |
| <b>Fixed assets</b>                            |      |                  |                   |                  |                   |
| Tangible assets                                | 13   | 9,345,625        | 9,168,143         | 9,323,961        | 9,130,612         |
| Investments                                    | 14   | -                | -                 | 50,101           | 50,101            |
|  |      | <b>9,345,625</b> | <b>9,168,143</b>  | <b>9,374,062</b> | <b>9,180,713</b>  |
| <b>Current assets</b>                          |      |                  |                   |                  |                   |
| Stocks   | 15   | 16,653           | 15,233            | -                | -                 |
| Debtors  | 16   | 704,157          | 338,412           | 630,815          | 388,687           |
| Cash at bank and in hand                       |      | 848,949          | 1,778,299         | 501,799          | 1,424,354         |
|  |      | <b>1,569,759</b> | <b>2,131,944</b>  | <b>1,132,614</b> | <b>1,813,041</b>  |
| <b>Creditors: due within one year</b>          | 17   | <b>(961,190)</b> | <b>(889,020)</b>  | <b>(781,686)</b> | <b>(674,004)</b>  |
| <b>Net current assets</b>                      |      | <b>608,569</b>   | <b>1,242,924</b>  | <b>350,928</b>   | <b>1,139,037</b>  |
| <b>Total assets less current liabilities</b>   |      | <b>9,954,194</b> | <b>10,411,067</b> | <b>9,724,990</b> | <b>10,319,750</b> |
| <b>Creditors: due after more than one year</b> | 18   | <b>(29,690)</b>  | <b>(29,690)</b>   | <b>(29,690)</b>  | <b>(29,690)</b>   |
| <b>Provisions for liabilities and charges</b>  | 19   | <b>(3,485)</b>   | <b>(3,485)</b>    | -                | -                 |
| <b>Net assets</b>                              |      | <b>9,921,019</b> | <b>10,377,892</b> | <b>9,695,300</b> | <b>10,290,060</b> |
| <b>Unrestricted income funds - general</b>     | 20   | <b>693,252</b>   | <b>1,120,696</b>  | <b>467,533</b>   | <b>1,032,864</b>  |
| Clusters – unrestricted designated fund        | 20   | -                | 35,539            | -                | 35,539            |
| Rife – unrestricted designated fund            | 20   | -                | -                 | -                | -                 |
| Film Hub – unrestricted designated fund        | 20   | -                | 67,767            | -                | 67,767            |
| ACE Cultural Recovery designated fund          | 20   | -                | -                 | -                | -                 |
| Bristol + unrestricted designated fund         | 20   | 244,717          | 244,717           | 244,717          | 244,717           |
| Head lease unrestricted designated fund        | 20   | 5,504,856        | 5,504,856         | 5,504,856        | 5,504,856         |
| Capital unrestricted designated funds          | 20   | 709,544          | 709,544           | 709,544          | 709,544           |
| Revaluation reserve (head lease)               | 20   | 1,435,600        | 1,435,600         | 1,435,600        | 1,435,600         |
| Restricted capital funds                       | 21   | 1,333,050        | 1,259,173         | 1,333,050        | 1,259,173         |
| <b>Total funds</b>                             |      | <b>9,921,019</b> | <b>10,377,892</b> | <b>9,695,300</b> | <b>10,290,060</b> |

A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because Watershed Arts Trust Limited has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

For the parent charity net movement in funds is a deficit of £594,383 (2022: deficit of £36,978).

These financial statements were approved by the Board on 20th September 2023 and were signed on its behalf by:

J Touzel

Chair of the Board



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### Company information

Watershed Arts Trust Limited is a charitable company limited by guarantee incorporated in England and Wales. The registered office is 1 Canons Road, Harbourside, Bristol, BS1 5TX.

#### Basis of preparation

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 2019) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, which have been applied consistently.

Watershed Arts Trust Limited 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.

#### Going Concern

The company has experienced significant challenges due to the impact of the COVID-19 pandemic on its operations and financial performance. However, we are currently witnessing a gradual recovery in trading and revenue growth. Throughout the recovery phase, the management has taken several proactive measures to enhance financial resilience, including implementing cost containment initiatives and optimising cash flow management. While there are ongoing uncertainties, we believe the company's going concern assumption is appropriate, given the positive indications of recovery and the steps taken to ensure operational sustainability.

Watershed's core funding from Arts Council England and Bristol City Council continued as did the project funding for areas of our creative programme. Watershed's technical resource and expertise enabled these activities to continue operating in a digital environment, which presents opportunities for the future as Watershed assesses new ways of delivering its programmes and impact in a changing operating environment.

Budget and cashflow forecasts undertaken throughout the year indicate that the Watershed Group will maintain sufficient cashflow throughout 2023/24 and continue operating without impediment. Consolidated Reserves at the end of 2022/23 were £937,970 (2021/22 £1,468,719).

The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

#### Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2023.

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

The trading results of the subsidiaries are disclosed in notes 6 and 7 to these financial statements.

**Notes (continued)**

**7 Accounting policies (continued)**

**Income**

**Voluntary income**

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions are met, the amount can be measured reliably, and in line with the timing implied by any multi-period grant agreements.

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non-specific revenue grants which support core activities are categorised as voluntary income.

Revenue grants received for specific creative projects are also categorised as income from charitable activities. Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

**Income from charitable activities**

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met. Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit cards and is accounted for on a receipts basis. Turnover in respect of the conferencing activities is accounted for on a receivable basis with income recognised in the profit and loss account for conferences completed in the current accounting period.

Non-refundable deposits received in respect of conferences in the next accounting period are held as deferred income in creditors on the balance sheet.

Earned income in respect of Watershed Ventures CIC represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of events and consultancies and is accounted for on a receivable basis.

**Donated services and facilities**

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements as value to the charity, at an estimate provided by the donors.

**Expenditure**

All expenditure is accounted for on an accrual basis. Costs directly attributable to a specific expense heading are allocated to that heading. Expenditure is recognised when a liability is incurred:

costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds; charitable activities include expenditure associated with the cinema exhibition programme and digital studio programmes and include both the direct costs and support costs relating to these activities; governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements; support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., allocating property costs by floor areas, staff costs by the time spent and other costs by their usage.

**Notes (continued)**

**8 Accounting policies (continued)**

**Leases**

Operating lease rentals are charged to the statement of financial activities on a straight-line basis over the period of the lease.

**Stocks**

Stocks are stated at the lower of cost and net realisable value where cost is determined with reference to current prices. Stocks are assumed to be used on a first in first out basis.

**Taxation**

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax. The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

**Fund accounting**

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

**Restricted funds**

These funds are earmarked by the donor for specific purposes. Grant income received to fund capital expenditure is held in restricted funds. The balance is transferred to unrestricted funds in future years at the same rates as to match the depreciation charges of the related assets.

Revenue funds restricted by the donor are matched against expenditure as appropriate.

**Unrestricted funds**

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity. In addition to expenditure on the principal activities of the Trust, such funds may be held in order to finance capital investment and working capital.

**Designated funds**

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

Currently the Building Fund is underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2022/23, these costs total £211,707 and are being treated as an asset on Watershed's balance sheet.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

Notes (continued)

9 Accounting policies (continued)

**Subsidiaries**

Details of subsidiary undertakings owned by the charity are disclosed in notes 6 and 7.

**Fixed assets and depreciation**

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000. Fixed assets are subject to a policy of cost and depreciation, except for the head lease. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                        |                     |
|------------------------|---------------------|
| Furniture and fittings | 10% - 20% per annum |
| Plant and equipment    | 10% - 33% per annum |

In December 2002 Watershed purchased a new lease on the existing premises for the sum of £650,000 on the same terms as the existing lease excepting the term is for 99 years from 25 March 1982 and the rental is peppercorn.

Depreciation is provided on a straight-line basis over a 79 year period (the unexpired term of the lease).

Leasehold improvements. The Board re-assessed the useful economic lives of leasehold improvements in 1992.

All leasehold improvements are depreciated over 25 years on a straight-line basis.

In December 2002 Watershed commenced a programme of capital development which created new administration and event spaces, a third cinema screen, refurbished the existing two screens, created an extension to the café/bar area and provided a fully accessible lift. The programme was completed in March 2006.

In March 2009 Watershed constructed a balcony extension to the café/bar area.

In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years' time and consequently the costs of this work are being depreciated over a 10-year period. In December 2015 Watershed undertook a programme of refurbishment to upgrade its computer facilities, kitchen equipment and lighting to more energy efficient and environmentally friendly equivalents. The costs of these upgrades are being depreciated over a 10-year period to reflect the useful life of these improvements.

In June 2017 Watershed undertook a programme of refurbishment to update its Front of House facilities, making them fit for purpose and accessible. The costs of these upgrades are being depreciated over a 10-year period to reflect the useful life of these improvements.

Acquisition of the head lease. In March 2007 Watershed purchased the head lease to E & W sheds for its to E & W sheds unexpired term of 111  $\frac{3}{4}$  years. The final price paid was £5.95 million. Previously depreciation was provided on a straight-line basis over a 111  $\frac{3}{4}$  year period (the unexpired term of the lease).

In 2019/20, the head lease was revalued at a market value of £7,650,000. Going forward, the treatment of the lease will be on a re-valuation basis.

**Notes (continued)**

**10 Accounting policies (continued)**

The valuation was carried out by chartered surveyors Carter Baynes following the granting of a deed of variation from Bristol City Council which reduced the ground rent payable on the head lease to peppercorn from 1 April 2019.

Opinions of value were provided for both the investment and market value subject to the existing tenancies.

As the useful economic life of some of the above assets exceeds 50 years, the Trustees review the assets for impairment on an annual basis.

**Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

**Basic financial liabilities**

Basic financial liabilities, including trade creditors, other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, bank overdrafts or other short-term liquid investments with original maturities of three months or less.

**Foreign currency policy**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

**Notes (continued)**

**2 Critical accounting judgments and key sources of estimation uncertainty**

The head lease to E&W sheds is held by the Charity for the purposes of direct use of the Charity. It is Watershed's intention to impact positively on the immediate public realm and create an external environment around Watershed that is both welcoming and inclusive. Rental income generated by the head lease tenancies is applied directly to the charitable objectives of the Arts Trust. It is therefore deemed appropriate to classify the valuation of the head lease on its value as Property, Plant and Equipment (PPE) rather than as mixed use investment assets.

Trustees have given due consideration to the impact of the COVID pandemic on the value of the head lease and consider that there are no material changes to the value of the property (see note 13).

Voluntary income is recognised at the point at which the Charity deems it has entitlement to those funds. Decisions around the timing of entitlement are based on the terms and conditions of the particular grant or contract, past precedents around funder's accountability requirements and the need to show a true and transparent picture of the Charity's activities.

Grant income is often offered to Watershed in advance of the activity it supports. In these instances, no entitlement is assumed until the funded activity commences. Up to this point funds are held as deferred restricted income. Income is then credited to the profit and loss account to match the related expenditure as the funded activity progresses.

**3 Legal status of the charity**

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2023 there were 10 members.

Notes (continued)

4 Grant and project income receivable (Group)

|   | Deferred as<br>at 1 April<br>2022 | Cash<br>received &<br>receivable<br>2022/23 | Credited to<br>income &<br>expenditure<br>2022/23 | Transferred<br>to capital<br>grants<br>2022/23 | Deferred as<br>at 31 March<br>2023 |
|---|-----------------------------------|---|---|--|------------------------------------|
|   | £                                 | £   | £   | £  | £                                  |
| <b>Income from donations and legacies</b>       |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| <i>Regular Grant Funding</i>                    |                                   |   |   |  |                                    |
| Arts Council England – National Portfolio funds | -                                 | 757,984                                     | (757,984)   | -  | -                                  |
| Bristol City Council – Key Arts Provider funds  | -                                 | 54,400                                      | (54,400)  | -  | -                                  |
| <b>Total Regular Grant Funding</b>              | -                                 | <b>812,384</b>                              | <b>(812,384)</b>                                  | -  | -                                  |
| <i>Cultural Recovery Grants</i>                 |                                   |   |   |  |                                    |
| Arts Council England                            | -                                 | -   | -   | -  | -                                  |
| <b>Total unrestricted grant funding</b>         | -                                 | -   | -   | -  | -                                  |
| <b>Income from charitable activities</b>        |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| Europa Cinemas                                  | -                                 | 9,674                                       | (9,674)   | -  | -                                  |
| <b>Unrestricted other project funding</b>       |                                   |   |   |  |                                    |
| Other   | -                                 | -   | -   | -  | -                                  |
| <b>Total other grants</b>                       | -                                 | <b>9,674</b>                                | <b>(9,674)</b>                                    | -  | -                                  |
| <b>Restricted</b>                               |                                   |   |   |  |                                    |
| <b>Programme funding – grants</b>               |                                   |   |   |  |                                    |
| British Film Institute                          | 16,547                            | 810,240                                     | (826,787)   | -  | -                                  |
| HE Sector                                       | 111,794                           | 287,133                                     | (311,075)   | -  | 87,852                             |
| Other grants                                    | 11,240                            | 74,970                                      | (85,704)  | -  | 506                                |
| <b>Programme funding – other</b>                |                                   |   |   |  |                                    |
| Other project funds                             | 8,000                             | 182,062                                     | (173,151)   | -  | 16,911                             |
| <b>Total programme funds</b>                    | <b>147,581</b>                    | <b>1,354,405</b>                            | <b>(1,396,717)</b>                                | -  | <b>105,269</b>                     |
| <b>Other Grants</b>                             |                                   |   |   |  |                                    |
| <b>Unrestricted</b>                             |                                   |   |   |  |                                    |
| Government grants (COVID support)               | -                                 | -   | -   | -  | -                                  |
| <b>Total other grants</b>                       | -                                 | -   | -   | -  | -                                  |
| <b>Total</b>                                    | <b>147,581</b>                    | <b>2,176,463</b>                            | <b>(2,218,775)</b>                                | -  | <b>105,269</b>                     |

## Notes (continued)

### 5 Financial activities of the charity

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC.

The gross incoming resources for the year ended 31 March 2023 for the charity was £3,884,620 (2022: £3,680,748). The overall net incoming resources for the year was a deficit of £594,383 (2022: deficit of £36,978), with a deficit of £668,260 (2022: deficit of £2,730) on unrestricted reserves.

### 6 Trading subsidiary's results (Watershed Trading Limited)

|   | 2023<br>Total<br>£ | 2022<br>Total<br>£ |
|---|--------------------|--------------------|
| <b>Turnover</b>                                     | <b>1,588,256</b>   | <b>976,163</b>     |
| Cost of sales                                       | <b>(1,214,853)</b> | <b>(776,335)</b>   |
|   | <hr/>              | <hr/>              |
| <b>Gross profit/(loss)</b>                          | <b>373,403</b>     | <b>199,828</b>     |
| Administration and other costs                      | <b>(53,412)</b>    | <b>(126,663)</b>   |
|   | <hr/>              | <hr/>              |
| <b>Trading profit/(loss)</b>                        | <b>319,991</b>     | <b>73,165</b>      |
| Other income  | <b>9</b>           | <b>9</b>           |
|   | <hr/>              | <hr/>              |
| <b>Net income/ (outgoing funds)</b>                 | <b>319,991</b>     | <b>73,174</b>      |
| Gift aid payment to Watershed Arts Trust Limited    | <b>(5,263)</b>     | <b>-</b>           |
| Management charge from Watershed Arts Trust Limited | <b>(176,627)</b>   | <b>(57,309)</b>    |
| Tax on profit on ordinary activities                | <b>-</b>           | <b>-</b>           |
|   | <hr/>              | <hr/>              |
| <b>Retained profit/(loss) for the year</b>          | <b>138,101</b>     | <b>15,865</b>      |
| Retained profit brought forward                     | <b>80,047</b>      | <b>64,182</b>      |
|   | <hr/>              | <hr/>              |
| <b>Retained profit carried forward</b>              | <b>218,148</b>     | <b>80,047</b>      |
|   | <hr/> <hr/>        | <hr/> <hr/>        |

The assets and liabilities of the subsidiary were:

|  | 2023<br>Total<br>£ | 2022<br>Total<br>£ |
|--|--------------------|--------------------|
| <b>Fixed assets</b>                            | <b>21,664</b>      | <b>37,531</b>      |
| <b>Current assets</b>                          | <b>452,398</b>     | <b>391,489</b>     |
| Creditors: amounts falling due within one year | <b>(252,329)</b>   | <b>(345,388)</b>   |
| Provisions for liabilities and charges         | <b>(3,485)</b>     | <b>(3,485)</b>     |
|  | <hr/>              | <hr/>              |
| <b>Net assets</b>                              | <b>218,248</b>     | <b>80,147</b>      |
|  | <hr/> <hr/>        | <hr/> <hr/>        |
| <b>Equity shareholders' funds</b>              | <b>218,248</b>     | <b>80,147</b>      |
|  | <hr/> <hr/>        | <hr/> <hr/>        |

**Notes (continued)**

|   | 2023             | 2022           |
|---|------------------|----------------|
| <b>Subsidiary Turnover</b>                  | <b>Total</b>     | <b>Total</b>   |
|   | £                | £              |
| Café/bar, conference, retail sales          | 1,588,256        | 869,227        |
| Government JRS grants                       | -                | 73,603         |
| Arts Council England Cultural Recovery Fund | -                | 33,333         |
|   | <hr/>            | <hr/>          |
| <b>Turnover</b>                             | <b>1,588,256</b> | <b>976,163</b> |
|   | <hr/>            | <hr/>          |

**7 Trading subsidiary's results (Watershed Ventures CIC)**

|   | 2023         | 2022         |
|---|--------------|--------------|
|   | <b>Total</b> | <b>Total</b> |
|   | £            | £            |
| <b>Turnover</b>                                     | -            | -            |
| Cost of sales                                       | -            | -            |
|   | <hr/>        | <hr/>        |
| <b>Gross profit</b>                                 | -            | -            |
| Administration and other costs                      | (813)        | (504)        |
|   | <hr/>        | <hr/>        |
| <b>Trading profit</b>                               | <b>(813)</b> | <b>(504)</b> |
| Other income  | 222          | 3            |
|   | <hr/>        | <hr/>        |
| <b>Net income</b>                                   | <b>(591)</b> | <b>(501)</b> |
| Gift aid payment to Watershed Arts Trust Limited    | -            | -            |
| Management charge from Watershed Arts Trust Limited | -            | -            |
| Tax on profit on ordinary activities                | -            | -            |
|   | <hr/>        | <hr/>        |
| <b>Retained profit for the year</b>                 | <b>(591)</b> | <b>(501)</b> |
| Retained profit brought forward                     | 7,785        | 8,286        |
|   | <hr/>        | <hr/>        |
| <b>Retained profit carried forward</b>              | <b>7,194</b> | <b>7,785</b> |
|   | <hr/>        | <hr/>        |

The assets and liabilities of the subsidiary were:

|  | 2023          | 2022          |
|--|---------------|---------------|
|  | <b>Total</b>  | <b>Total</b>  |
|  | £             | £             |
| Current assets                                 | 58,333        | 58,586        |
| Creditors: amounts falling due within one year | (1,138)       | (800)         |
|  | <hr/>         | <hr/>         |
| <b>Net assets</b>                              | <b>57,195</b> | <b>57,786</b> |
|  | <hr/>         | <hr/>         |
| <b>Equity shareholders' funds</b>              | <b>57,195</b> | <b>57,786</b> |
|  | <hr/>         | <hr/>         |

Watershed Ventures CIC is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479a.

**Notes (continued)**

**8 Allocation of support costs**

The Trust allocates its support costs as shown in the table below and then further apportions those costs between the two charitable activities undertaken (see note 9). Support costs are allocated on a basis consistent with the use of resources.

|                       | Charitable<br>activities<br>£ | Fundraising costs<br>£ | Governance<br>£ | 2023<br>Total<br>£ | 2022<br>Total<br>£ |
|-----------------------|-------------------------------|------------------------|-----------------|--------------------|--------------------|
| <b>Support cost</b>   |                               |                        |                 |                    |                    |
| General office        | 96,192                        | 1,667                  | 21,940          | 119,799            | 108,288            |
| Finance office        | 242,525                       | 2,484                  | 56,450          | 301,459            | 261,018            |
| External audit        | -                             | -                      | 15,366          | 15,366             | 22,821             |
| Professional services | 30,235                        | -                      | 27,046          | 57,281             | 30,214             |
| Fundraiser costs      | -                             | 50,975                 | -               | 50,975             | 48,290             |
|                       | <u>368,952</u>                | <u>55,126</u>          | <u>120,802</u>  | <u>544,880</u>     | <u>470,631</u>     |

**9 Analysis of charitable expenditure**

|   | Audience<br>Engagement<br>Programme<br>£ | Creative<br>technology and<br>talent<br>development<br>projects<br>£ | 2023<br>Total<br>£ | 2022<br>Total<br>£ |
|---|--|--|--------------------|--------------------|
| Cinema Screening – direct costs         | 907,814                                  | -  | 907,814            | 609,232            |
| Direct programme/project costs          | 646,599                                  | 754,840  | 1,401,439          | 1,339,328          |
| Arts programme management and marketing | 442,130                                  | 319,549  | 761,679            | 579,568            |
| Premises costs                          | 397,099                                  | 210,047  | 607,146            | 470,244            |
| General support costs                   | 295,162                                  | 73,790   | 368,952            | 315,547            |
| Governance costs                        | 96,641                                   | 24,161   | 120,802            | 102,544            |
| Depreciation                            | 137,499                                  | 34,375   | 171,874            | 161,744            |
|   | <u>2,922,944</u>                         | <u>1,416,762</u>   | <u>4,339,706</u>   | <u>3,578,207</u>   |

**Notes (continued)**

**10 Staff numbers and costs**

The average headcount in the year for the group was 114 (2022: 101).

The full time equivalent average number of persons employed by Watershed during the year, including directors, analysed by category, was as follows:

|                               | Number of employees |           |
|-------------------------------|---------------------|-----------|
|                               | 2023                | 2022      |
| Cultural engagement programme | 42                  | 36        |
| Administration                | 13                  | 12        |
| Trading                       | 23                  | 21        |
|                               | <u>78</u>           | <u>69</u> |

The aggregate payroll costs of these persons were as follows:

| Group                 | 2023             | 2022             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Directors' emoluments | -                | -                |
| Wages and salaries    | 2,578,672        | 2,206,588        |
| Social security costs | 231,738          | 192,356          |
| Pension costs         | 51,760           | 47,796           |
|                       | <u>2,862,170</u> | <u>2,446,740</u> |

During the current and previous year, the Trustees were not paid any remuneration or reimbursed for expenses. No Trustees made a donation to the charity in the current or previous year.

Key management compensation in total for the year was £82,868 (2022: £78,592). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £80,000 to £85,000 (2022 – the emoluments of one employee, including benefits in kind, was within the range of £75,000 to £80,000).

**11 Net movement on funds is stated after charging**

|  | 2023      | 2022    |
|--|-----------|---------|
|  | £         | £       |
| Auditors' remuneration – audit services (Charity: £18,000)       | 26,979    | 25,325  |
| Auditors' remuneration – non audit services (Charity: £Nil)      | -         | 11,199  |
| Depreciation and other amounts written off tangible fixed assets | 187,741   | 175,920 |
| Inventories recognised as an expense                             | 1,213,433 | 628,362 |
| Operating lease payments recognised as an expense                | 10,306    | 10,306  |

**Notes (continued)**

**12 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2023 or 2022 by Watershed Ventures CIC.

|  | <b>2023</b> | <b>2022</b> |
|--|-------------|-------------|
|  | £           | £           |
| <b>Current tax</b>                         |             |             |
| UK corporation tax on results of the year  | -           | -           |
| <b>Deferred tax (see note 19)</b>          |             |             |
| Origination/reversal of timing differences | -           | -           |
|  | <hr/>       | <hr/>       |
| Tax on profit on ordinary activities       | -           | -           |
|  | <hr/> <hr/> | <hr/> <hr/> |

*Factors affecting the tax charge for the current period*

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19%), (2022: 19%). The differences are explained below:

|   | <b>2023</b>     | <b>2022</b>    |
|---|-----------------|----------------|
|   | £               | £              |
| <i>Current tax reconciliation</i>               |                 |                |
| Profit/(loss) on ordinary activities before tax | <b>138,101</b>  | <b>15,865</b>  |
|   | <hr/>           | <hr/>          |
| Current tax at 19%                              | <b>26,239</b>   | <b>3,014</b>   |
| <i>Effects of:</i>                              |                 |                |
| Losses brought back                             | -               | -              |
| Other timing differences                        | <b>921</b>      | <b>(3,883)</b> |
| Expenses not deductible for tax purposes        | -               | 17             |
| Deferred tax changes in tax rates               | <b>8,541</b>    | 1,725          |
| Group relief claimed                            | <b>(112)</b>    | <b>(873)</b>   |
| Movement in deferred tax not recognised         | <b>(35,589)</b> | -              |
|   | <hr/>           | <hr/>          |
| Total current tax charge (see above)            | -               | -              |
|   | <hr/> <hr/>     | <hr/> <hr/>    |

Notes (continued)

13 Tangible fixed assets

|                           | Head lease | Leasehold improvements | Furniture and equipment | Total      |
|---------------------------|------------|------------------------|-------------------------|------------|
| Group                     | £          | £                      | £                       | £          |
| <i>Cost or valuation</i>  |            |                        |                         |            |
| At beginning of year      | 7,650,000  | 3,204,571              | 1,745,783               | 12,600,354 |
| Disposals in the year     | -          | -                      | -                       | -          |
| Revaluation of head lease | -          | -                      | -                       | -          |
| Additions                 | -          | 359,085                | 6,138                   | 365,223    |
| At end of year            | 7,650,000  | 3,356,656              | 1,751,921               | 12,965,577 |
| <i>Depreciation</i>       |            |                        |                         |            |
| At beginning of year      | -          | 2,081,332              | 1,350,879               | 3,432,211  |
| Depreciation on disposals | -          | -                      | -                       | -          |
| Charge for year           | -          | 117,000                | 70,741                  | 187,741    |
| At end of year            | -          | 2,198,332              | 1,421,620               | 3,619,952  |
| <i>Net book value</i>     |            |                        |                         |            |
| At 31 March 2023          | 7,650,000  | 1,365,324              | 330,301                 | 9,345,625  |
| At 31 March 2022          | 7,650,000  | 1,123,239              | 394,904                 | 9,168,143  |

Critical judgements around the value of the head lease are described in note 2.

**Notes (continued)**

**14 Tangible fixed assets (continued)**

|                           | Head lease       | Leasehold<br>improvements | Furniture<br>and<br>equipment | Total            |
|---------------------------|------------------|---------------------------|-------------------------------|------------------|
|                           | £                | £                         | £                             | £                |
| <b>Charity</b>            |                  |                           |                               |                  |
| <i>Cost or valuation</i>  |                  |                           |                               |                  |
| At beginning of year      | 7,650,000        | 3,204,571                 | 1,603,643                     | 12,458,214       |
| Disposals in the year     | -                | -                         | -                             | -                |
| Additions                 | -                | 359,085                   | 6,138                         | 365,223          |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| At end of year            | 7,650,000        | 3,563,656                 | 1,609,781                     | 12,823,437       |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| <i>Depreciation</i>       |                  |                           |                               |                  |
| At beginning of year      | -                | 2,081,332                 | 1,246,270                     | 3,327,602        |
| Depreciation on disposals | -                | -                         | -                             | -                |
| Charge for year           | -                | 117,000                   | 54,874                        | 171,874          |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| At end of year            | -                | 2,198,332                 | 1,301,144                     | 3,499,476        |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| <i>Net book value</i>     |                  |                           |                               |                  |
| At 31 March 2023          | <b>7,650,000</b> | <b>1,365,324</b>          | <b>308,637</b>                | <b>9,323,961</b> |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                   | <hr/> <hr/>      |
| At 31 March 2022          | 7,650,000        | 1,123,239                 | 357,373                       | 9,130,612        |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                   | <hr/> <hr/>      |

The Trustee's review of the fixed assets has concluded that their value is not impaired. The head lease qualifies as a 'long leasehold' as it has over 50 years to run.

**15 Fixed asset investments**

| Shares                       | Charity<br>2023<br>£ | Charity<br>2022<br>£ |
|------------------------------|----------------------|----------------------|
| At the beginning of the year | 50,101               | 50,101               |
|                              | <hr/>                | <hr/>                |
| At the end of the year       | 50,101               | 50,101               |
|                              | <hr/> <hr/>          | <hr/> <hr/>          |

The above shares represent equity investments in group undertakings.

The company owns 100% of the issued share capital of Watershed Trading Limited (company registration number: 01621620), a company incorporated in England and Wales. The principal activities of this company are the operation of the café/bar, and conference facilities at Watershed.

The company owns 100% of the issued share capital of Watershed Ventures CIC (company registration number: 06097013), a company incorporated in England and Wales. The principal activities of this company are to promote participation by individuals, groups and organisations in the creative industries in the South West of England and elsewhere.

**16 Stocks**

|                                     | Group       |             | Charity     |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
|                                     | 2023<br>£   | 2022<br>£   | 2023<br>£   | 2022<br>£   |
| Finished goods and goods for resale | 16,653      | 15,233      | -           | -           |
|                                     | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

**Notes (continued)**

**17 Debtors**

|  | Group          |                | Charity        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2023           | 2022           | 2023           | 2022           |
|  | £              | £              | £              | £              |
| Trade debtors  | 380,118        | 99,000         | 236,305        | 22,923         |
| Prepayments and accrued income                       | 306,791        | 175,090        | 303,676        | 170,572        |
| Other debtors including taxation and social security | 17,248         | 64,322         | 17,248         | 64,232         |
| Amounts owed from Group undertakings                 | -              | -              | 73,586         | 130,960        |
|  | <u>704,157</u> | <u>338,412</u> | <u>630,815</u> | <u>388,687</u> |

All debtors are recoverable within one year.

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

|  | Group          |                | Charity        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2023           | 2022           | 2023           | 2022           |
|  | £              | £              | £              | £              |
| Trade creditors  | 336,034        | 355,263        | 327,952        | 340,005        |
| Other creditors including taxation and social security | 175,188        | 165,827        | 76,753         | 64,047         |
| Accruals and deferred income                           | 450,345        | 367,930        | 376,981        | 269,740        |
| Amounts owed to group undertakings                     | -              | -              | -              | 212            |
|  | <u>961,567</u> | <u>889,020</u> | <u>781,686</u> | <u>674,004</u> |

Other creditors include £134,996 (2022: £136,106) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £170,736, deferred income comprising £40,645 of conference deposits, £124,511 of property income received in advance, £3,123 of advance cinema sales and £105,269 of grant and project income (note 4).

Deferred rent income, advanced cinema sales, and conference deposits as at 1 April 2022, were fully released in the year. The balance at the year-end was:

|   | Group          | Charity        |
|---|----------------|----------------|
|   | £              | £              |
| Balance as at 1 April 2022              | 75,971         | 15,622         |
| Movement in deferred income in the year | 169,103        | 188,987        |
|   | <u>245,074</u> | <u>204,609</u> |

**Notes (continued)**

**19 Creditors: amounts falling due after more than one year**

|                                 | <b>Group</b>  |             | <b>Charity</b> |             |
|---------------------------------|---------------|-------------|----------------|-------------|
|                                 | <b>2023</b>   | <b>2022</b> | <b>2023</b>    | <b>2022</b> |
|                                 | <b>£</b>      | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Other loans                     | <b>29,690</b> | 29,690      | <b>29,690</b>  | 29,690      |
| Analysis of loans               |               |             |                |             |
| Wholly repayable within 5 years | <b>29,690</b> | 29,690      | <b>29,690</b>  | 29,690      |

The balance of £29,690 relates to rental deposits being held in respect of tenancies to E & W sheds.

**20 Provisions and liabilities**

| <b>Group</b>                                  | <b>Deferred tax</b> |
|---|---------------------|
|   | <b>£</b>            |
| At beginning of year                          | 3,485               |
| Movement in the year (note 12)                | -                   |
| Add back deferred tax asset (held in debtors) | -                   |
| <b>Deferred tax liability at end of year</b>  | <b>3,485</b>        |

The elements of deferred taxation are as follows:

|  | <b>2023</b>  | <b>2022</b>  |
|--|--------------|--------------|
|  | <b>£</b>     | <b>£</b>     |
| Difference between accumulated depreciation and capital allowances | <b>3,485</b> | 3,485        |
| Other short term timing differences                                | -            | -            |
|  | <b>3,485</b> | <b>3,485</b> |

The charity has no deferred taxation liabilities.

Notes (continued)

20 Unrestricted income funds

|  | Group<br>£       | Charity<br>£     |
|--|------------------|------------------|
| At beginning of year                     | 9,118,719        | 9,030,887        |
| Movement in year before transfers        | (656,873)        | (794,383)        |
| Transfer from restricted funds (note 21) | 126,123          | 126,123          |
|  | <hr/>            | <hr/>            |
| <b>At end of year</b>                    | <b>8,587,969</b> | <b>8,362,627</b> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

|                                     | At<br>beginning<br>of year: 1<br>April 2022<br>£ | Incoming<br>resources<br>£ | Expenditure<br>£ | Transfers<br>£ | Other<br>recognised<br>gains and<br>losses<br>£ | At end of<br>Year: 31<br>March 2023<br>£ |
|-------------------------------------|--|----------------------------|------------------|----------------|---|--|
| <b>Unrestricted income funds</b>    |  |                            |                  |                |   |  |
| General fund                        | 1,120,696  | 3,694,491                  | (4,351,364)      | 229,429        | -   | 693,252                                  |
| <i>Designated Funds</i>             |  |                            |                  |                |   |  |
| Building fund                       | 244,717  | -                          | -                | -              | -   | 244,717                                  |
| Head lease fund                     | 5,504,856  | -                          | -                | -              | -   | 5,504,856                                |
| Capital fund                        | 709,544  | -                          | -                | -              | -   | 709,544                                  |
| Revaluation reserve (head<br>lease) | 1,435,600  | -                          | -                | -              | -   | 1,435,600                                |
| Clusters Fund                       | 35,539   | -                          | -                | (35,539)       | -   | -  |
| Film Hub Fund                       | 67,767   | -                          | -                | (67,767)       | -   | -  |
|                                     | <hr/>  | <hr/>                      | <hr/>            | <hr/>          | <hr/>   | <hr/>                                    |
|                                     | 9,118,719  | 3,694,491                  | (4,351,364)      | 126,123        | -   | 8,587,969                                |
|                                     | <hr/> <hr/>                                      | <hr/> <hr/>                | <hr/> <hr/>      | <hr/> <hr/>    | <hr/> <hr/>                                     | <hr/> <hr/>                              |

The head lease fund (£5,504,856) represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007.

Following the re-evaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment. The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. These amounts represent the head lease valuation of £7,650,000 and therefore do not form part of the freely available reserves of the Trust.

Notes (continued)

21 Restricted funds: Group and Charity

|                                       | At<br>beginning<br>of year: 1<br>April 2022 | Incoming<br>resources | Transfer to<br>unrestricted<br>income<br>funds | Re-<br>classification<br>to<br>unrestricted<br>funds | Outgoing<br>resources | At end of<br>Year: 31<br>March<br>2023 |
|---------------------------------------|---|-----------------------|--|--|-----------------------|--|
|                                       | £   | £                     | £  | £  | £                     | £                                      |
| <b>Capital funds</b>                  |   |                       |  |  |                       |  |
| Deferred capital grant                | 6,396                                       | -                     | (1,600)  | -  | -                     | 4,796                                  |
| Deferred capital refurbishment grants | 437,151                                     | -                     | (67,426)                                       | -  | -                     | 369,725                                |
| Lottery lease purchase grant          | 514,007                                     | -                     | (8,712)  | -  | -                     | 505,295                                |
| ACE GforA capital grant               | 30,489                                      | -                     | (2,800)  | -  | -                     | 27,689                                 |
| ACE small capital grant               | 86,130                                      | -                     | (28,710)                                       | -  | -                     | 57,420                                 |
| Garfield Weston capital grant         | 100,000                                     | -                     | (2,500)  | -  | -                     | 97,500                                 |
| Other capital funds                   | 85,000                                      | 200,000               | (14,375)                                       | -  | -                     | 270,625                                |
|                                       | <u>1,259,173</u>                            | <u>200,000</u>        | <u>(126,123)</u>                               | <u>-</u>   | <u>-</u>              | <u>1,333,050</u>                       |

Transfer to unrestricted income funds is in respect of the annual release to the SOFA in respect of capital grants. Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

**Deferred capital grant**

Grant support to fund refurbishments undertaken in 2001/02 has been transferred to deferred capital grants and is being taken to income over the same period of time as the depreciation of the assets funded by the grants (25 years).

**Deferred capital refurbishment grants**

Grant support to enable refurbishment of the existing cinemas and the construction of new administration spaces, a third cinema screen, an extended café/bar facility and a new lift has been transferred to deferred capital grants and is being taken to income over a period of 25 years. The work commenced in December 2002.

**Lottery lease purchase grant**

Lottery Grant support from Arts Council England Stabilisation scheme to enable the Watershed's lease purchase has been transferred to deferred capital grants and is being taken to income funds over a period of 79 years to match the unexpired period of the lease.

**Garfield Weston capital grant**

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants. Since this project has been delayed, the funds have now been approved for use in supporting the refurbishment of Watershed's first floor toilets into a fully inclusive facility and are being taken to income over the same period of time as the depreciation of the assets it funds.

**Other capital funds**

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period as the depreciation of the assets it will fund once the capital project has been undertaken.

Grant support from Bristol City Council towards the costs of refurbishing Watershed's first floor toilets into a fully inclusive facility. The funds are being taken to income over the same period as the depreciation of the assets it funds.

**Voluntary income and project funding from charitable activities**

Donated services and one-off grants received which are restricted by the donors are spent in accordance with the donors' restrictions.

Revenue grants received for specific creative projects are categorised as income from charitable activities and the grants are spent in accordance with the donors' restrictions.

**Notes (continued)**

**22 Analysis of fund balances - group**

|  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | 2023<br>Total<br>£ | 2022<br>Total<br>£ |
|--|----------------------------|--------------------------|--------------------|--------------------|
| Fixed assets                           | 8,012,575                  | 1,333,050                | 9,345,625          | 9,168,143          |
| Net current assets                     | 608,569                    | -                        | 608,569            | 1,242,924          |
| Long term liabilities                  | (29,690)                   | -                        | (29,690)           | (29,690)           |
| Provisions for liabilities and charges | (3,485)                    | -                        | (3,485)            | (3,485)            |
|  | <u>8,587,969</u>           | <u>1,333,050</u>         | <u>9,921,019</u>   | <u>10,377,892</u>  |

**23 Operating leases as a lessee**

The future minimum lease payments under non-cancellable operating leases expected to be paid by the Charity and Group will fall due as follows:

|                            | 2023<br>Group and<br>Charity plant<br>and equipment<br>£ | 2022<br>Group and<br>Charity plant<br>and equipment<br>£ |
|----------------------------|--|--|
| Within one year            | 10,306   | 10,306   |
| Between one and five years | 17,280   | 27,586   |
| After five years           | -  | -  |
|                            | <u>27,586</u>  | <u>37,892</u>  |

**24 Operating leases as a lessor**

The future minimum lease payments under non-cancellable operating leases expected to be received by the Charity and Group are due to be received as follows:

|                            | 2023<br>Group and<br>Charity leasehold<br>property<br>£ | 2022<br>Group and<br>Charity leasehold<br>property<br>£ |
|----------------------------|---|---|
| Within one year            | 245,835   | 211,219   |
| Between one and five years | 737,505   | 794,340   |
| After five years           | 199,387   | 183,594   |
|                            | <u>1,182,727</u>  | <u>1,189,153</u>  |

**25 Related party transactions**

During the year legal fees of £7,342 (2022: £1,424) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £nil (2022: £3,854) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in June 2016.

The Board has delegated authority to the Chief Executive Officer to instruct TLT LLP, or any other law firm, on matters where the total fee charged on that transaction does not exceed £10,000. Transactions above this limit are approved by the Board. James Touzel absents himself from any discussion of any proposal to instruct TLT LLP or to approve fee proposals submitted by TLT LLP.

**Notes (continued)**

**26 Comparative statement of financial activities**

|   | <i>Note</i> | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total Funds<br>2022<br>£ |
|---|-------------|----------------------------|--------------------------|--------------------------|
| <b>Income</b>   |             |                            |                          |                          |
| <b>Voluntary income</b>                                     |             |                            |                          |                          |
| <i>Donations and legacies</i>                               |             |                            |                          |                          |
| Individual giving   |             | 30,125                     | -                        | 30,125                   |
| Donated services  |             | 3,854                      | -                        | 3,854                    |
| Regular grant funding                                       | 4           | 812,384                    | -                        | 812,384                  |
| Arts Council England Cultural Recovery Grant                | 4           | 398,326                    | -                        | 398,326                  |
| <i>Other trading activities</i>                             |             |                            |                          |                          |
| Commercial trading operations                               | 6/7         | 862,871                    | -                        | 862,871                  |
| <i>Investment income</i>                                    |             |                            |                          |                          |
| Interest receivable   |             | 27                         | -                        | 27                       |
|   |             | <u>2,107,587</u>           | <u>-</u>                 | <u>2,107,587</u>         |
| <b>Income from charitable activities</b>                    |             |                            |                          |                          |
| Earned income from cinema activities                        |             | 462,869                    | -                        | 462,869                  |
| Rental income   |             | 171,684                    | -                        | 171,684                  |
| Service charges   |             | 124,828                    | -                        | 124,828                  |
| Other earned income   |             | 89,413                     | -                        | 89,413                   |
| Programme funds   | 4           | 6,000                      | 1,413,621                | 1,419,621                |
|   |             | <u>854,794</u>             | <u>1,413,621</u>         | <u>2,268,415</u>         |
| <b>Other income</b>   |             |                            |                          |                          |
| Government grants (COVID support)                           |             | 142,256                    | -                        | 142,256                  |
| Capital grants  |             | -                          | 75,000                   | 75,000                   |
| <b>Total income</b>   |             | <u>3,104,637</u>           | <u>1,488,621</u>         | <u>4,593,258</u>         |
| <b>Expenditure</b>  |             |                            |                          |                          |
| <b>Costs of raising funds</b>                               |             |                            |                          |                          |
| Fundraising costs   | 8           | (52,540)                   | -                        | (52,540)                 |
| Commercial trading operations                               | 6           | (902,998)                  | -                        | (902,998)                |
|   |             | <u>(955,538)</u>           | <u>-</u>                 | <u>(955,538)</u>         |
| <b>Charitable activities</b>                                |             |                            |                          |                          |
| Operation of cinema, engagement and creative media projects | 9           | (2,164,586)                | (1,413,621)              | (3,578,207)              |
| Donated services  |             | (3,854)                    | -                        | (3,854)                  |
| CIC operation   | 7           | (504)                      | -                        | (504)                    |
| Property management costs                                   |             | (76,769)                   | -                        | (76,769)                 |
| Reversal of depreciation (Head lease revaluation)           | 13          | -                          | -                        | -                        |
| <b>Total expenditure</b>                                    |             | <u>(3,201,251)</u>         | <u>(1,413,621)</u>       | <u>(4,614,872)</u>       |
| Net income/(expenditure) before transfers and               |             | (96,614)                   | 75,000                   | (21,614)                 |
| Net income/(expenditure) for the year                       |             |                            |                          |                          |
| Transfers between funds                                     | 20          | 109,248                    | (109,248)                | -                        |
| <b>Other recognised gains and losses</b>                    |             |                            |                          |                          |
| Gains on revaluation of head lease                          |             | -                          | -                        | -                        |
| Net movement in funds                                       |             | <u>12,634</u>              | <u>(34,248)</u>          | <u>(21,614)</u>          |
| <b>Reconciliation of funds</b>                              |             |                            |                          |                          |
| Total funds brought forward                                 |             | 9,106,085                  | 1,293,421                | 10,399,506               |
| <b>Total funds carried forward</b>                          |             | <u>9,118,719</u>           | <u>1,259,173</u>         | <u>10,377,892</u>        |

**THE WATERSHED ARTS TRUST LIMITED**

England & Wales - Charity number 284188

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# Accounts

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**Watershed Arts Trust Limited**  
**(a company limited by guarantee)**

Report of the Board and consolidated  
financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2022

## Contents

|  |         |
|--|---------|
| Strategic report   | 2 - 13  |
| Trustees' report   | 14 - 16 |
| Independent auditors' report to the members of Watershed Arts Trust Limited (a company limited by guarantee) | 17 - 20 |
| Consolidated statement of financial activities (including an income & expenditure account)                   | 21      |
| Consolidated cash flow statement   | 22      |
| Consolidated and company balance sheets  | 23      |
| Notes  | 24 - 44 |

## Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2022. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, 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 2019) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Trustees confirm that they have given regard to the Charity Commission’s guidance on public benefit in directing the activities of the charity.

## Introduction

Watershed is a cultural organisation focussed on togetherness. We produce accessible and inclusive experiences that fire up the imagination in our venue, online and across the world.

We are recognised internationally as a leading centre for film culture, art and technology practice, and talent development programmes. Our values sit at the heart of everything we do, both creative and operational. With an ethos of responsibility and kindness, we produce and deliver support which is more than the sum of its parts.

Whilst thankfully in May 2021 we re-opened the building after covid, the challenge of the pandemic continued throughout the year with limited screen capacities, increased safety precautions and staff sickness putting a strain on both our people and our income. However, our commitment to audience care and continued inclusivity and access was highly valued:

*“This is a model of clear communication, showing care for both your staff and your customers. I do look forward to returning soon. You were always one of my favourite places to read, see movies and work in Bristol” @turingcop*

Our response to covid included the creation of a new outside catering offer ‘Undershed’ which enabled us to establish a commercial presence on the ground floor of our building. It also gave us space to commission Bristol-based artist and activist Lucy J Turner, who created a series of stunning illustrations called ‘Heart of Lightness’ which celebrates people, togetherness and community – perfect themes for Bristol as we were coming out of lockdown.

Whilst the pandemic was tough, we embraced change and used the time to reflect on where we have been and dream beyond recovery. We developed a deeper understanding of the value we offer, the inclusion we believe in and the importance of bringing people together in an increasingly polarised society.

In the areas of inclusion and climate justice we have sought to prototype best practise and share our learning, creating toolkits and resources to support others to identify and make change. Balance and Belonging, our work around data-led inclusion, is providing sector-leading insight into our workforce and the success of our inclusive recruitment approaches.

2022 marks 40 years since Watershed opened its doors. In those intervening decades Watershed has surfed many waves – establishing ourselves as one of few truly cross-art form organisations in the UK but staying true to the founding vision of innovation and risk.

Throughout 2022, Watershed’s birthday celebrations are bringing audiences and artists together to ask open questions about our past, present and future.

## Achievements and performance

Watershed is one of Europe's leading independent cultural cinemas, the only multi-screen cultural cinema in the South West and one of very few places outside London where UK audiences can engage with a year-round programme of world cinema. We are a key stakeholder in Bristol UNESCO City of Film. We are the Film Hub Lead Organisation for Film Hub South West as part of the UK wide BFI Network and also home to two Talent Executives as part of BFI Network.

We established the Pervasive Media Studio in 2008 and its ethos of collaborative innovation has grown an international reputation and network. We gift space to over 122 residents and have a rich network of over 450 creatives.

Our Café and Bar provides a welcoming city centre hospitality offer with a thoughtfully sourced menu and an emphasis on vegetarian and vegan dishes. We play a trusted connector role in the Bristol creative ecology and we are home to a range of conferences and events. We leverage funding, commissions and opportunities for others and have long term strategic collaborations with universities and local authorities.

- 1.1 million people visited us on the web
- 143,300 people visited our building
- 63,744 people bought tickets for our venue screenings and events
- We screened 200 film titles, over 2021 screenings
- 77,928 people engaged with our online programme
- 16,265 young people engaged with our programme
- 39,000 people engaged with projects beyond the venue
- 122 artists and creatives are resident in the Pervasive Media Studio
- 104 full time equivalent jobs at Watershed
- Watershed Group turnover in 2021/22 was £4.6 million
- Pervasive Media Studio residents reported turnover in excess of £6.3 million
- Pervasive Media Studio residents reported secured research funding in excess of £12.5 million

## Highlights

Watershed's programme centres around twin pillars of cultural cinema and creative technology – with an increasing focus on the emerging overlaps between the two forms.

## Cultural Cinema

The focus during the year was on rebuilding our in-venue cinema cultural film offer, audience engagement and development for diverse film culture.

Partnerships were key to maintaining audience and programme development with ongoing partners delighted and relieved to be back in venue at Watershed. These included Afrika Eye, Slapstick, Palestine Film Festival, Japan Foundation Touring Programme, Deaf Conversations About Cinema and UWE Philosophy & Politics Conversations About Cinema: Thought in Action. The latter were delivered online at the beginning of the year and are now in venue producing the highest admissions for the films they select as well as introducing new student audiences to Watershed.

*"Team UWE is everywhere doing cool stuff! This weekend a series of films on masculinities through the lens of the Western curated by @UWEBristol MA Student @lolabmck at @Wshed Bristol Fantastic"* tweet from @finn\_mackay

New partnerships have created rich programme and audience developmental opportunities. These included Cables and Cameras – a Bristol based creative organisation who provide a hub for Black and POC filmmakers and creatives in the city – to deliver Inspired, a takeover of Watershed from Sat 25 to Mon 27 Sept online and in-venue. This weekend provided fresh perspectives and films by Black and POC creatives that provoke and inspire.

*"So Glad I caught @michaelDjenkins film Pickney. So Great to see authentic Black Bristolian and Caribbean representation. So important this kind of story telling continues. Congrats all! Excited to Check out the other events over the weekend"* tweet from @corinneswalker

Where possible we have worked with our key partners to promote and cross-promote the cinema offer - e.g., working with Afrika Eye Festival on the release of the restoration of Ousmane Sembène's film Mandabi and Bristol Palestine Festival with Elia Suleiman's It Must Be Heaven.

In July we presented the 5th edition of Cinema Rediscovered Film Festival that took place in venue and online with a range of premieres of restorations, seasons and events.

In August we increased our cinema programme to 6 days a week (Tue to Sun) and increased our seating capacities from 25% to 50%. We also introduced 25% capacity social distance screenings as part of our weekly programme as well as continuing our weekly relaxed screenings to ensure our offer includes space for those of our audience members who are more vulnerable.

*"A shout out to Watershed for being so considerate towards those who value it so much. As they move to 75% capacity screenings, they also introduce 25% capacity screenings alternatives each week to enable inclusivity This on top of the Relaxed screenings catering to those who need it."* @H0rr0r0fDracula

A theme that has run through all our audience research and feedback during this period is the importance and value of having space and opportunity to come together:

*'communal experience of watching the material with an audience, absolute joy!'* Audience member for Oxide Ghosts

## **Outside the shed**

Although there has been welcome growth of in-venue activity over the year, our support for cultural cinema is not confined to our building.

The potential of hybrid was still being used creating some extraordinary events linking internationally based talent with Watershed based audiences. This was most evident in Afrika Eye where a documentary on Mali, music and the threat of Muslim fundamentalism was followed by a Q&A with one of the musicians in the studio in Bamako. Audience members contributing to the transnational conversation in the cinema were from the Congo and Caribbean.

We also deliver impact across the region, through our work in Film Hub South West, which is part of BFI Film Audience Network, and is the driving force behind a growing network of over 200 cinemas, film festivals, cross-arts venues and other film exhibition organisations.

In this period 20 organisations were awarded a total of £101,270 through open call with an additional £45,498 of investment made in key South West film venues through the cinema incentive scheme.

We continued a focus on supporting people from backgrounds under-represented in the screen industries through initiatives like Beyond Boundaries 360, a series of workshops to develop their skills and confidence in putting on film events.

*"Everything felt so tangible and doable, ALL sessions felt so useful, and action orientated. For me really did feel like it was cracking open things I wouldn't have had any idea"* – Beyond Boundaries 360 participant

Our flagship initiative New Release Scheme worked with film exhibitors across the UK, supporting marketing initiatives to increase audiences around five new releases (Sound of Metal, Another Round, Limbo, Balloon and Ali & Ava.)

BFI NETWORK continued to support talent development in the region including supporting and commissioning new films and supporting those who may face barriers in accessing funding.

*“BFI NETWORK (South West) has made me feel welcomed and valued as someone with interesting and unusual stories to tell. They’ve gone above and beyond with their accessibility provision... making me feel that a century later, there just might be a new era of deaf and disabled films with talent thriving behind the camera as well as in front of it.”* Script Development Lab participant William Mager.

## **Creative Technology**

*This place. A studio. A community. A place to tinker, test, play. Where strangers become friends. Where thought provocateurs open up unimaginable possibilities. Where generosity lies at the heart of every conversation and collaboration. Where being interruptible creates the stuff of dreams. A safe house. A home.* Harmeet Chagger-Khan.

Pervasive Media Studio offers practitioners space and access to resources, advice, and equipment at no financial cost to them. We have a dynamic international network who we work with to explore common challenges from divergent city perspectives. We believe that cooperation is a powerful force for good, testing out alternative ways to live, work and play by hosting challenging conversations and encouraging responsible experimentation. The Case Against Crypto, an article by our Creative Technologist reached over 40k readers and featured in the Financial Times. Growing ideas into practical action, we recently published a Climate Action Toolkit to support those in the creative industries to make change in their practice.

## **Supporting creative businesses to experiment**

The Studio community continues to feel the financial impacts of COVID, and Brexit and our support is more vital than ever. Despite these challenges our Residents are still generating exciting new ideas, employment and revenue. Resident Annual Survey headlines (126 Respondents):

- Total annual turnover £6,306,986, approximately £4m less than the previous year
- Average resident turnover is £50k, approximately £70k less than the previous year
- Total funding leveraged (including Research funding) £14,706,741
- Employees (includes freelancers) 373
- Audience reached 36,886,097

Watershed acts as a funder of creative technology research and development - enabling individuals and small companies to explore early-stage ideas. Last year we ran programmes that invested over £385k of funding with awards ranging from around £300 to £50k. Our Winter Residencies artists were Shrouk El-Attar an artist, engineer, and LGBT refugee from Egypt who prototyped a belly dancing robot, and Alistair Gentry whose playful project investigated British Rail’s patent filing for a flying saucer.

## **Producing an inclusive community**

*The Studio is a unique space for fostering the energies of its residents. As a Black creative it is also an escape from the performative and narrow expectations outside. I feel I meet Black creative in a space of openness and freedom which we struggle to find easily.* Dr Edson Burton.

The last year taught that it is vital to weave inclusive practice through all that we do. We’ve taken major steps in our transparency, including overhauling our contracts and developing a set of inclusive commitments that all Residents sign up to. Other key activity:

- Ableism training
- Access Riders for Studio Residents as part of updated contract
- A gender-neutral toilet and Baby changing facilities in the Studio.
- A range of Quiet Spaces available for Residents

## **Working with Young People as global citizens**

Through a recent consultation we identified that creative technology (alongside cultural cinema) is where we can bring the most value to young people by using our programme, networks and resources to offer clear pathways of support over time. For these reasons we decided to stop publishing on Rife.

As we reconfigure our offer to young people, we created new opportunities to get involved in the work of the Studio. We launched Make Shift, a space for 18–30-year-old creatives to come together around creative technology and the opinions and ideas of young people. We also ran a number of international Labs connecting young creatives locally to those in Durban, Lagos and Seoul to explore global issues from different perspectives.

## **Reaching public audiences**

Our Residents reached almost 37 million people with their work last year. Our own hybrid weekly Lunchtime attracted audiences in UK, India, United States, Japan, Georgia, Russia, Canada, Italy and South Africa.

- *Goliath* by Anagram, narrated by Tilda Swinton won the Grand Jury Prize for Best VR Immersive Work at the 78th Venice International Film Festival.
- *Only Expansion* by Duncan Speakman won the BFI London Film Festival's first ever award in the Immersive Art and XR category.
- The Gathering Moss Online Exhibition (an international collaboration between the Studio and South Korea) reached 20,000 people
- 17,000 viewers for our creative technology YouTube content

The final Lunchtime Talk of each month is now BSL interpreted which strengthens our accessible programme offer – and BSL marketing information and materials are produced to help promote this service and the programme across our Deaf and hard of hearing networks.

*"A unique insight into an area of study & art I had never discovered before. I found the presentation of this talk both unique and fascinating, educating me on subject I would never have considered as an interest area for me. I learnt a lot from this discussion and found myself ruminating following its ending."* Audience member from Composing Experience Lunchtime Talk

## **Report on 2021/22 Priorities**

In order to better reflect our values and build an inclusive working culture, we began work on a new People Strategy to cover recruitment, training, inductions and performance management.

We progressed our work in inclusion, completing training with Watershed's Inclusion associates and turning the learning and actionable plans in each department.

We launched Watershed Forty, a year long, cross-departmental exploration of our relevance, vision and values.

We researched the potential of a Membership scheme for Watershed and concluded our current systems and capacity would not allow us to create something with enough value.

We re-booted Watershed's Environmental Sustainability Group around the Climate Justice action research we are undertaking through Bristol and Bath Creative R&D. We created a measurable and ambitious plan for Watershed's response to climate change.

## **Strategic report** *(continued)*

### **2022 - 2023 Organisational Priorities**

Over the last 10 years, Watershed has grown considerably in terms of size, turnover and scale. In November 2019 we had completed a thorough review of Watershed's systems, processes and workflows and identified the need to make considerable investment – as much of our systems were over a decade old, barely now fit for purpose and with little integration between systems. Covid has made things worse – whereas previously we were covering and patching the holes in our workflow with manual processes, we now have less staff to paper over the cracks, finances are stretched, and we have a new hybrid operating environment.

Our priorities balance these needs with those of recovery, by using the foundations of our values to guide us to resilience, rather than foregrounding numerical targets.

#### **Inclusive**

Complete capital upgrade of All Gender toilets to ensure they are welcoming, accessible and fit for purpose

#### **Open and Honest**

People Strategy: delivered and intranet launched to build upon our inclusive recruitment framework to ensure consistency across the organisation

#### **Make Things Happen**

Six new Board members will be inducted and announced, supporting board diversity and bringing in specialisms around cultural cinema, hospitality and environment.

#### **Entrepreneurial**

Climate Justice – we will undertake carbon training for all staff, develop a plan for environmental improvements to our building and a sustainable procurement policy.

#### **Celebratory**

For our 40th birthday, Watershed 40 will deliver a community engaged programme to explore what does Bristol wants from Watershed for the next 40 years?

### **Risk Management**

Effective risk management is crucial to Watershed thriving in the changeable environment in which it operates. Watershed's risk management strategy ensures that the organisation can:

- Maintain a resilient, flexible and viable operation
- Make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

Watershed's risk register identifies the key areas of risk the business faces, assesses the indicators, likelihood and impact of those risks and identifies the actions required in order to mitigate them should they arise.

The risk register is created and regularly reviewed by the Board and the Executive team. Watershed's risk management strategy involves maintaining:

- Procedures to ensure early detection of identified and emergent risks
- Regular monitoring of key performance indicators across the organisation
- Procedures to effectively mitigate identified risks
- Procedures to minimise the impact on the organisation should identified risks materialise

## Strategic report *(continued)*

### Principal risks and uncertainties

Watershed's assessment of risk has been reviewed in light of the Coronavirus pandemic and the key risks facing the company have been identified as:

#### People and Culture

- Recruitment and retention of appropriate staff teams and talent
- The continued impact of Covid on staff absence, wellness and mental health
- Providing an inclusive workplace with diverse opinions and talent

#### Customers

- Volatile income across the trading and core funding programmes
- Loss of income from tenancy sub-leases
- Changes in the HE sector results in less collaboration and Partnership opportunities
- Fundraising – failure to retain donors and secure new donors.

#### Finance and Systems

- Inflation and the impact of rising costs
- Reduction in public funding
- Systems infrastructure with unreliable and unsupported legacy systems impacting operational efficiency.
- Financial reporting and planning failing to meet organisational need, due to poor financial systems and controls.
- Failure to meet Watershed's commitment to carbon neutrality and net zero.

For each of these risks, Watershed has in place indicators and mitigating actions to monitor, avoid, mitigate or transfer the impact of its principal risks and uncertainties. The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register.

### Fundraising

Watershed is committed to the highest fundraising standards and believe that it is important that all our fundraising activities are clear, open, honest, respectful, and compliant.

Watershed is registered with the Fundraising Regulator. We commit to its Fundraising Promise and follow its Code of Fundraising Practice. Watershed raise funds via multiple fundraising activities, including postal and digital appeals, events and fundraising that has been organised by others on our behalf. We ensure compliance with these standards by:

- Our Development Manager ensures that all those engaging in fundraising for Watershed are aware of the Code of Fundraising Practice and any updates.
- Fundraising is conducted in line with our Fundraising Policy and supporters can raise an issue or complain about our fundraising activities as outlined in our Fundraising Feedback, Compliments and Complaints Policy.
- Fundraising complaints are monitored, recorded, and reported annually to the Fundraising Regulator by the Development Manager. There were no complaints or concerns received during the year.
- We value all our donors, no matter what they donate, will treat them fairly and with respect as well as being accountable for the resources given to us.
- We will not fundraise in a way which is an unreasonable intrusion on a person's privacy, is unreasonably persistent or places undue pressure on a person to donate.
- We will consider the needs of any possible donor who may be in vulnerable circumstances or need extra care and support to make an informed decision and will not take a donation if we believe this is appropriate.

## Strategic report *(continued)*

### Financial review

#### Overview

The consolidated results set out on page 21 show a deficit of £21,614 for the year (2021: surplus of £354,456). The surplus on unrestricted funds for the year totalled £12,634 (2021: surplus of £469,373).

The comparative results for the year ending 31 March 2021 is mostly attributable to the receipt of a grant totalling £731,993 from the Arts Council Recovery Fund in the year, of which £33,333 was deferred into 2021/22. The award was made to support the Watershed Group during the COVID pandemic.

Before transfers between funds, Watershed showed an unrestricted deficit of £96,614, reflecting the challenging operating and trading conditions over the year as the venue re-opened following the pandemic. Unrestricted income (excluding income from restricted programme funds) was £3.10 million during the year and unrestricted expenditure (excluding programme costs) was £3.20 million.

Overall, designated funds which support the creative programme have decreased by £35,392 in the year (2021: decrease of £25,447).

#### **Subsidiary Company Results**

The charity's wholly owned subsidiary, **Watershed Trading Limited**, continued to operate Watershed's café/bar and conference facilities.

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust and form a key part of the Watershed offer as a whole, providing a welcoming, open and inclusive meeting place for all to enjoy.

Following the re-opening of our hospitality offer, Watershed Trading Limited generated a profit before tax of £15,865 (2021: loss of £202,726). No donations were made through gift aid to the Charity, based upon the previous year's trading (2021: £nil).

The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £708,409 (2021: £88,245).
- Conference sales generated £160,409 (2021: £10,394).

The charity's wholly owned subsidiary, **Watershed Ventures CIC**, supports the development of talent, providing support to explore the potential of new technologies, and undertakes projects to promote collaboration between artists and the creative industries. In the year, Watershed Ventures CIC made no donations (2021: £nil) through gift aid to the Charity and generated a loss before tax of £501 (2021: loss of £1,165) and total revenue of £nil (2021: £nil).

No activity was undertaken by Watershed Ventures CIC in 2021/22 and no activity is currently planned for the 2022/23 financial year.

## Strategic report (continued)

### Financial monitoring and control

Watershed's financial systems enable early detection of potential problems allowing actions to be taken to mitigate any likely impact in a timely manner, including:

- A careful and prudent budgeting process to ensure that financial targets (income and costs) are realistic and achievable.
- Production of monthly management accounts to assess overall Group performance against budget.
- Weekly and monthly sales reports ensure that progress against sales targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take.
- Financial performance is reviewed regularly by Watershed's Executive team and quarterly by Watershed's Finance Sub-Group and Board.
- The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.
- Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis

Watershed's income portfolio includes:

#### Programme Funds

Programme funds received through partnership agreements, restricted project grants and contracts for services account for the most significant percentage of Watershed's income (31% in 2021/22 down from 37% in 2020/21). Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2021/22 programme funds (excluding regular funding from ACE) totalled £1.419 million (20/21: £1.675 million). Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

#### Unrestricted Grants

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council (as a Key Arts Provider). Although these funds account for a relatively small portion of Group turnover (18%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer. 2021/22 was the final year of renewed 4-year relationships with both funders, with both funders confirming a one-year extension for the 2022/23 financial year. Watershed constantly seeks to minimise its reliance on public subsidy by actively working to maximise existing income streams and develop new ones.

#### General Fundraising

In the 2021/22 financial year Watershed secured £30,125 (2021: £35,628) from fundraising through individual giving and private sponsorship.

#### Commercial sales - Café/bar and Conference

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 19% of Group turnover in 2021/22, compared to 2% in 2020/21. This is a marked recovery on the previous year when the building was closed, but below the long-term trend. The café/bar provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values. Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Watershed intends to further develop their broadcasting package to provide clients with a professional, high spec on-line experience for conference delegates.

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme.

## **Strategic report (continued)**

### **Cinema sales**

Cinema ticket sales accounted for 10% of Group turnover in 2021/22, compared to 1% of Group turnover in 2020/21. Again, sales in the year have recovered compared to the prior year but remain below the pre-COVID19 levels. Watershed considers and balances the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged.

### **Property Income**

Rental income received from Watershed's head lease tenancies continue to be applied to the charitable objectives of the Arts Trust. The property income in the year was 6% of the group turnover for 2021/22. Watershed continues to provide additional working space to a variety of small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate.

## **Coronavirus (COVID-19) Pandemic**

### **COVID-19 impact**

The impact of the COVID-19 pandemic continued to cast a shadow over the activities and financial performance of Watershed during 2021/22. It had a direct impact on the income from the café/bar, conferencing facilities and cinema sales as these services initially re-opened in May 2021 but with careful social distancing and other restrictions in place, which were lifted later in July 2021. The income from these operations in the year was £1.33 million compared to the pre-pandemic income in 2019/20 of £2.7 million. Watershed is closely monitoring the recovery of its core trading and income generating activity.

Watershed's core funding from Arts Council England and Bristol City Council continued as did the project funding for areas of our creative programme. Watershed's technical resource and expertise enabled these activities to continue operating in a digital environment, which presents opportunities for the future as Watershed assesses new ways of delivering its programmes and impact in a changing operating environment.

The receipt of grants from the Arts Council's Cultural Recovery Fund in 2021/22 of £364,993 (along with £33,333 which was deferred from the prior year) provided Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Budget and cashflow forecasts undertaken throughout the year indicate that the Watershed Group will maintain sufficient cashflow throughout 2022/23 and 2023/24 financial years to continue operating without impediment. Group consolidated reserves (which includes both unrestricted and designated reserves but excludes the headlease) at the end of 2021/22 were £1,468,719 (2020/21 £1,456,085).

The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

### **Future Resilience**

Watershed has grown considerably in terms of size, turnover and scale over the last decade. Watershed has identified the need to make considerable investment in their systems, processes and workflows. Covid delayed the implementation of the necessary investment and over the next year we will urgently continue this work and be implementing improvements in the financial systems, processes and control to make them more efficient.

Watershed's mixed business model has been the source of Watershed's financial resilience, without being overly dependent on any one contract or client. However, Watershed recognises that many areas of the business contribute to the viability of the others and therefore implementing business development or change requires significant business planning and modelling, which will be part of the improvement in Watershed's systems, processes and workflows.

## Strategic report (continued)

### Reserves policy

Watershed's reserves policy was last reviewed in light of the Coronavirus pandemic at a meeting of the Trustees in June 2021.

#### Overview

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate existing financial challenges and manage unforeseen financial challenges, with the ability to invest in its future.

In establishing the level of reserves appropriate to its business, Watershed has considered:

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

#### Reserves

Watershed reserves are split into the following funds:

##### General Fund

The General Fund is to ensure that Watershed has the funds to meet its obligations as they fall due in the event of a loss of income.

Given the level of risk and uncertainty caused by COVID-19 and its impact, especially on Watershed Trading Ltd, the Trustees took the decision to review the reserves policy to allow more time to respond to any changes in operational and financial circumstances. In 2020/21, Watershed Trustees increased the general reserves target to 3 months of Group operating costs. Reflecting the 2022-23 actual operating expenditure to September 22, this amounts to £1,330,000. On 31 March 2022, Watershed's General Fund was £1,120,696, which equates to 2.5 months Group operating costs.

The experience of lockdown suggests the General Fund target could be higher to support a longer period of trading should the effects of COVID-19 or other risks continue to be felt. However, Watershed does not currently have the ability to generate a higher reserve than has currently been set, and the ownership of the building provides Watershed with added security against significant losses. The General Fund target will be regularly reviewed by Trustees.

##### Building Fund (Bristol +)

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

The level of reserves currently held in the Building Fund, at £244,717, is deemed appropriate. Pre-COVID-19, this fund was used to underwrite the costs of Watershed's planned capital development whilst fundraising for the project was/is ongoing. This development is on pause whilst the business is stabilised due to COVID-19, but the goal is to create a model which is more resilient and sustainable, both financially and environmentally, once the capital development is completed.

##### Designated Funds

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds. This policy was last reviewed by Trustees in May 2020 and will be looked at again in 2022-3.

As at 31 March 2022, Watershed's reserves comprise\*:

|   |                    |
|---|--------------------|
| General fund                              | £ 1,120,696        |
| Building Fund (previously Bristol + fund) | £ 244,717          |
| Film Hub designated fund                  | £ 67,767           |
| Clusters designated fund                  | £ 35,539           |
| <b>Total</b>                              | <b>£ 1,468,719</b> |

\*note – net current assets available at 31 March 2022 stand at £1,242,924

### **Strategic report** *(continued)*

Following the revaluation of the head lease in July 2019, accumulated depreciation charges have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

The new head lease valuation of £7,650,000 is represented as:

|                            |                   |
|----------------------------|-------------------|
| Head lease designated fund | £5,504,856        |
| Capital designated fund    | £ 709,544         |
| Revaluation reserve        | <u>£1,435,600</u> |
| <b>Total</b>               | <b>£7,650,000</b> |

These funds represent a tangible fixed asset from which Watershed operates, which are fundamental to the delivery of the business plan. They are therefore not included in Watershed's unrestricted reserves.

## **Trustees' report**

### **Structure, governance and management**

Watershed is structured as a group of three companies, the parent company Watershed Arts Trust Limited and two wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality and Watershed Ventures is a CIC which we are not currently delivering any activity through.

Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

The Board, which administers the Charity, meets five times a year. Potential members are invited to attend Board meetings as observers for a short period of time. In due course official appointment is made by serving members if deemed appropriate. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance. Watershed's Board of Trustees are volunteers and receive no remuneration.

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations. The Board review and approve changes to key management's remuneration.

## **Trustees' report** *(continued)*

### **Statement of responsibilities of the Trustees of Watershed Arts Trust Limited in respect of the Board of Trustees report and the financial statements**

The Trustees, who are also directors of the charitable company for the purposes of company law, are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP.
- 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 its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its 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.

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

### **Reference and administrative details**

Watershed Arts Trust Limited was incorporated as a company limited by guarantee on 19 January 1982. The company was registered with the charity commission on 18 March 1982. The wholly owned subsidiary Watershed Trading Limited was incorporated on 12 March 1982. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

The members of the Board of Trustees who served during the year and post year end and who constitute directors for Companies Act purposes are listed below.

#### **Trustees**

|  |                                       |
|--|---------------------------------------|
| J. Touzel (Chair)                        | J. Tuttle (appointed 9 February 2022) |
| P. Appleby (resigned 23 March 2022)      | J. Roscoe                             |
| K. Arthurs (appointed 9 February 2022)   | S. Wilson (resigned 26 June 2021)     |
| D. Bunyan (resigned 8 December 2021)     |                                       |
| S. Cooper                                |                                       |
| L. Decordova (appointed 9 February 2022) |                                       |
| J. Durrant (resigned 23 March 2022)      |                                       |
| S. Eugene-Hart                           |                                       |
| P. Gardener                              |                                       |
| L. Gardner                               |                                       |
| S. Gatfield                              |                                       |
| L. Goux (appointed 9 February 2022)      |                                       |
| C. Lester (appointed 9 February 2022)    |                                       |
| S. Lovegrove (resigned 15 June 2021)     |                                       |
| S. Sharma (appointed 9 February 2022)    |                                       |

## Trustees' report *(continued)*

**Secretary:** Lisa Gardner  
**Chief Executive Officer:** Clare Reddington  
**Charity number:** 284188  
**Company number:** 01608779  
**Registered Office:** 1 Canon's Road, Harbourside, Bristol, BS1 5TX  
**Auditors:** Saffery Champness LLP, St. Catherine's Court, Berkeley Place, Clifton, Bristol, BS8 1BQ  
**Bankers:** HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA  
**Solicitors:** TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP

### Disclosure of information to auditors

The Trustees who held office at the date of approval of this Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

### Auditors

Watershed's Board of Trustees re-appointed auditors Saffery Champness LLP at its Board meeting held on 7<sup>th</sup> December 2022

By order of the Board



**J Touzel**  
*Chair of the Board*

1 Canon's Road  
Bristol  
BS1 5TX

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee)**

### **Opinion**

We have audited the financial statements of Watershed Arts Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, 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, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2022 and of the group's 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 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 group and parent charitable 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**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

### **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 Trustees' Annual Report which includes the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report which includes the Strategic Report.

We have nothing to report in respect of the following matters where 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 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.

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also directors of the charitable company for the purposes of company law) 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 group and the parent charitable 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 group or charitable company or to cease operations, or have no realistic alternative to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sectors in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

**Use of our report**

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditors' 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 parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Michael Strong (Senior Statutory Auditor)  
For and on behalf of Saffery Champness LLP

|                        |                      |
|------------------------|----------------------|
| Chartered Accountants  | St Catherine's Court |
| Statutory Auditors     | Berkeley Place       |
|                        | Clifton, Bristol     |
| Date: 12 December 2022 | BS8 1BQ              |

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Consolidated statement of financial activities (including an income & expenditure account)**  
for the year ended 31 March 2022

|   | <i>Note</i> | <b>Unrestricted<br/>Funds</b> | <b>Restricted<br/>Funds</b> | <b>Total Funds<br/>2022</b> | <b>Total Funds<br/>2021</b> |
|---|-------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
|   |             | £                             | £                           | £                           | £                           |
| <b>Income</b>   |             |                               |                             |                             |                             |
| <b>Voluntary income</b>                                     |             |                               |                             |                             |                             |
| <i>Donations and legacies</i>                               |             |                               |                             |                             |                             |
| Individual giving   |             | 30,125                        | -                           | 30,125                      | 35,628                      |
| Donated services  |             | 3,854                         | -                           | 3,854                       | 6,141                       |
| Regular grant funding                                       | 4           | 812,384                       | -                           | 812,384                     | 812,384                     |
| Arts Council England Cultural Recovery Grant                | 4           | 398,326                       | -                           | 398,326                     | 698,660                     |
| <i>Other trading activities</i>                             |             |                               |                             |                             |                             |
| Commercial trading operations                               | 6           | 862,871                       | -                           | 862,871                     | 100,833                     |
| <i>Investment income</i>                                    |             |                               |                             |                             |                             |
| Interest receivable   |             | 27                            | -                           | 27                          | 75                          |
|   |             | <u>2,107,587</u>              | <u>-</u>                    | <u>2,107,587</u>            | <u>1,653,721</u>            |
| <b>Income from charitable activities</b>                    |             |                               |                             |                             |                             |
| Earned income from cinema activities                        |             | 462,869                       | -                           | 462,869                     | 56,588                      |
| Rental income   |             | 171,684                       | -                           | 171,684                     | 139,467                     |
| Service charges   |             | 124,828                       | -                           | 124,828                     | 80,210                      |
| Other earned income   |             | 89,413                        | -                           | 89,413                      | 95,628                      |
| Programme funds   | 4           | 6,000                         | 1,413,621                   | 1,419,621                   | 1,675,908                   |
|   |             | <u>854,794</u>                | <u>1,413,621</u>            | <u>2,268,415</u>            | <u>2,047,801</u>            |
| <b>Other income</b>   |             |                               |                             |                             |                             |
| Government grants (COVID support)                           | 4           | 142,256                       | -                           | 142,256                     | 777,264                     |
| Capital grants  |             | -                             | 75,000                      | 75,000                      | 10,000                      |
| <b>Total income</b>   |             | <u><b>3,104,637</b></u>       | <u><b>1,488,621</b></u>     | <u><b>4,593,258</b></u>     | <u><b>4,488,786</b></u>     |
| <b>Expenditure</b>  |             |                               |                             |                             |                             |
| <b>Costs of raising funds</b>                               |             |                               |                             |                             |                             |
| Fundraising costs   | 8           | (52,540)                      | -                           | (52,540)                    | (20,275)                    |
| Commercial trading operations                               | 6           | (902,998)                     | -                           | (902,998)                   | (683,035)                   |
|   |             | <u>(955,538)</u>              | <u>-</u>                    | <u>(955,538)</u>            | <u>(703,310)</u>            |
| <b>Charitable activities</b>                                |             |                               |                             |                             |                             |
| Operation of cinema, engagement and creative media projects | 9           | (2,164,586)                   | (1,413,621)                 | (3,578,207)                 | (3,367,095)                 |
| Donated services  |             | (3,854)                       | -                           | (3,854)                     | (6,141)                     |
| CIC operation   | 7           | (504)                         | -                           | (504)                       | (1,198)                     |
| Property management costs                                   |             | (76,769)                      | -                           | (76,769)                    | (56,586)                    |
| <b>Total expenditure</b>                                    |             | <u><b>(3,201,251)</b></u>     | <u><b>(1,413,621)</b></u>   | <u><b>(4,614,872)</b></u>   | <u><b>(4,134,330)</b></u>   |
| Net income/(expenditure) before transfers and               |             | (96,614)                      | 75,000                      | (21,614)                    | 354,456                     |
| Net income/(expenditure) for the year                       |             |                               |                             |                             |                             |
| Transfers between funds                                     | 20          | 109,248                       | (109,248)                   | -                           | -                           |
| Net movement in funds                                       |             | <u>12,634</u>                 | <u>(34,248)</u>             | <u>(21,614)</u>             | <u>354,456</u>              |
| <b>Reconciliation of funds</b>                              |             |                               |                             |                             |                             |
| Total funds brought forward                                 |             | 9,106,085                     | 1,293,421                   | 10,399,506                  | 10,045,050                  |
| <b>Total funds carried forward</b>                          |             | <u><b>9,118,719</b></u>       | <u><b>1,259,173</b></u>     | <u><b>10,377,892</b></u>    | <u><b>10,399,506</b></u>    |

Incoming resources and resulting net movement in funds in each year arise from continuing operations.

The group has no recognised gains or losses for the current or previous year other than those shown above.

## Consolidated cash flow statement

for the year ended 31 March 2022

|  | 2022<br>£       | 2021<br>£       |
|--|-----------------|-----------------|
| <b>Cash flows from operating activities</b>              |                 |                 |
| Net (outgoings)/income                                   | (21,614)        | 354,456         |
| Depreciation of tangible assets                          | 175,920         | 208,887         |
| Depreciation write-off (head lease)                      | -               | -               |
| Loss on disposal of fixed assets                         | -               | -               |
| Taxation   | -               | (2,079)         |
| Change in trade and other debtors                        | 23,126          | (29,366)        |
| Change in stocks   | (9,182)         | 8,891           |
| Change in trade and other creditors                      | (48,251)        | (312,084)       |
|  | <hr/>           | <hr/>           |
| <b>Net cash flow generated from operating activities</b> | <b>119,999</b>  | <b>228,705</b>  |
| <b>Cash flows from investing activities</b>              |                 |                 |
| Purchases of tangible assets                             | (64,387)        | (27,123)        |
|  | <hr/>           | <hr/>           |
| <b>Net cash from investing activities</b>                | <b>(64,387)</b> | <b>(27,123)</b> |
| <b>Cash flows from financing activities</b>              |                 |                 |
| Decrease in loan/long term creditors                     | -               | -               |
|  | <hr/>           | <hr/>           |
| <b>Net cash flows from financing activities</b>          | <b>-</b>        | <b>-</b>        |
|  | <hr/>           | <hr/>           |
| Cash at bank and in hand at beginning of year            | 1,722,687       | 1,521,105       |
|  | <hr/>           | <hr/>           |
| Cash at bank and in hand at end of year                  | 1,778,299       | 1,722,687       |
|  | <hr/> <hr/>     | <hr/> <hr/>     |

## Analysis of changes in net debt

|              | At 1 April 2021<br>£ | Cashflows<br>£ | At 31 March 2022<br>£ |
|--------------|----------------------|----------------|-----------------------|
| Cash         | 1,722,687            | 55,612         | 1,778,299             |
|              | <hr/>                | <hr/>          | <hr/>                 |
| <b>Total</b> | <b>1,722,687</b>     | <b>55,612</b>  | <b>1,778,299</b>      |
|              | <hr/>                | <hr/>          | <hr/>                 |

## Consolidated and company balance sheets

at 31 March 2022

|  | Note | Group             |                  | Charity           |                  |
|--|------|-------------------|------------------|-------------------|------------------|
|  |      | 2022              | 2021             | 2022              | 2021             |
|  |      | £                 | £                | £                 | £                |
| <b>Fixed assets</b>                            |      |                   |                  |                   |                  |
| Tangible assets                                | 13   | <b>9,168,143</b>  | 9,279,676        | <b>9,130,612</b>  | 9,253,623        |
| Investments                                    | 14   | -                 | -                | <b>50,101</b>     | 50,101           |
|  |      | <u>9,168,143</u>  | <u>9,279,676</u> | <u>9,180,713</u>  | <u>9,303,724</u> |
| <b>Current assets</b>                          |      |                   |                  |                   |                  |
| Stocks   | 15   | <b>15,233</b>     | 6,051            | -                 | -                |
| Debtors  | 16   | <b>338,412</b>    | 361,538          | <b>388,687</b>    | 376,711          |
| Cash at bank and in hand                       |      | <b>1,778,299</b>  | 1,722,687        | <b>1,424,354</b>  | 1,225,894        |
|  |      | <u>2,131,944</u>  | <u>2,090,276</u> | <u>1,813,041</u>  | <u>1,602,605</u> |
| <b>Creditors: due within one year</b>          | 17   | <b>(889,020)</b>  | (937,271)        | <b>(674,004)</b>  | (549,601)        |
| <b>Net current assets</b>                      |      | <b>1,242,924</b>  | 1,153,005        | <b>1,139,037</b>  | 1,053,004        |
| <b>Total assets less current liabilities</b>   |      | <b>10,411,067</b> | 10,432,681       | <b>10,319,750</b> | 10,356,728       |
| <b>Creditors: due after more than one year</b> | 18   | <b>(29,690)</b>   | (29,690)         | <b>(29,690)</b>   | (29,690)         |
| <b>Provisions for liabilities and charges</b>  | 19   | <b>(3,485)</b>    | (3,485)          | -                 | -                |
| <b>Net assets</b>                              |      | <b>10,377,892</b> | 10,399,506       | <b>10,290,060</b> | 10,327,038       |
| <b>Unrestricted income funds - general</b>     | 20   | <b>1,120,696</b>  | 1,058,008        | <b>1,032,864</b>  | 985,540          |
| Clusters – unrestricted designated fund        | 20   | <b>35,539</b>     | 35,539           | <b>35,539</b>     | 35,539           |
| Rife– unrestricted designated fund             | 20   | -                 | 14,662           | -                 | 14,662           |
| Film Hub – unrestricted designated fund        | 20   | <b>67,767</b>     | 68,849           | <b>67,767</b>     | 68,849           |
| ACE Cultural Recovery designated fund          | 20   | -                 | 34,310           | -                 | 34,310           |
| Bristol + unrestricted designated fund         | 20   | <b>244,717</b>    | 244,717          | <b>244,717</b>    | 244,717          |
| Head lease unrestricted designated fund        | 20   | <b>5,504,856</b>  | 5,504,856        | <b>5,504,856</b>  | 5,504,856        |
| Capital unrestricted designated funds          | 20   | <b>709,544</b>    | 709,544          | <b>709,544</b>    | 709,544          |
| Revaluation reserve (head lease)               | 20   | <b>1,435,600</b>  | 1,435,600        | <b>1,435,600</b>  | 1,435,600        |
| <b>Restricted capital funds</b>                | 21   | <b>1,259,173</b>  | 1,293,421        | <b>1,259,173</b>  | 1,293,421        |
| <b>Total funds</b>                             |      | <b>10,377,892</b> | 10,399,506       | <b>10,290,060</b> | 10,327,038       |

A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because Watershed Arts Trust Limited has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

For the parent charity net movement in funds is a deficit of £36,978 (2021: surplus of £556,269).

These financial statements were approved by the Board on 7<sup>th</sup> December 2022 and were signed on its behalf by:

J Touzel



Chair of the Board

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

#### ***Company information***

Watershed Arts Trust Limited is a charitable company limited by guarantee incorporated in England and Wales. The registered office is 1 Canons Road, Harbourside, Bristol, BS1 5TX.

#### ***Basis of preparation***

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 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, which have been applied consistently.

Watershed Arts Trust Limited 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.

#### ***Going Concern***

The impact of the COVID-19 pandemic continued to cast a shadow over the activities and financial performance of Watershed during 2021/22. It had a direct impact on the income from the café/bar, conferencing facilities and cinema sales as these services initially re-opened in May 2021 but with careful social distancing and other restrictions in place, which were lifted later in July 2021. The income from these operations in the year was £1.33 million compared to the pre-pandemic income in 2019/20 of £2.7 million. Watershed is closely monitoring the recovery of its core trading and income generating activity.

Watershed's core funding from Arts Council England and Bristol City Council continued as did the project funding for areas of our creative programme. Watershed's technical resource and expertise enabled these activities to continue operating in a digital environment, which presents opportunities for the future as Watershed assesses new ways of delivering its programmes and impact in a changing operating environment.

The receipt of grants from the Arts Council's Cultural Recovery Fund in 2021/22 of £364,993 (along with £33,333 which was deferred from the prior year) provided Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Budget and cashflow forecasts undertaken throughout the year indicate that the Watershed Group will maintain sufficient cashflow throughout 2022/23 and 2023/24 financial years to continue operating without impediment. Consolidated Reserves at the end of 2021/22 were £1,468,719 (2020/21 £1,456,085).

The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Basis of consolidation***

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2022.

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

The trading results of the subsidiaries are disclosed in notes 6 and 7 to these financial statements.

#### ***Income***

##### ***Voluntary income***

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions are met, the amount can be measured reliably, and in line with the timing implied by any multi-period grant agreements.

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non-specific revenue grants which support core activities are categorised as voluntary income. Revenue grants received for specific creative projects are also categorised as income from charitable activities.

Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

##### ***Income from charitable activities***

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met.

Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit cards and is accounted for on a receipts basis. Turnover in respect of the conferencing activities is accounted for on a receivable basis with income recognised in the profit and loss account for conferences completed in the current accounting period.

Non-refundable deposits received in respect of conferences in the next accounting period are held as deferred income in creditors on the balance sheet.

Earned income in respect of Watershed Ventures CIC represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of events and consultancies and is accounted for on a receivable basis.

##### ***Donated services and facilities***

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements as value to the charity, at an estimate provided by the donors.

## **Notes** (continued)

### **1 Accounting policies** (continued)

#### **Expenditure**

All expenditure is accounted for on an accruals basis.

Costs directly attributable to a specific expense heading are allocated to that heading.

Expenditure is recognised when a liability is incurred:

- costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds;
- charitable activities include expenditure associated with the cinema exhibition programme and digital studio programmes and include both the direct costs and support costs relating to these activities;
- governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements;
- support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., allocating property costs by floor areas, staff costs by the time spent and other costs by their usage.

#### **Leases**

Operating lease rentals are charged to the statement of financial activities on a straight line basis over the period of the lease.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value where cost is determined with reference to current prices. Stocks are assumed to be used on a first in first out basis.

#### **Taxation**

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### **Fund accounting**

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

##### **Restricted funds**

These funds are earmarked by the donor for specific purposes. Grant income received to fund capital expenditure is held in restricted funds. The balance is transferred to unrestricted funds in future years at the same rates as to match the depreciation charges of the related assets.

Revenue funds restricted by the donor are matched against expenditure as appropriate.

##### **Unrestricted funds**

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity. In addition to expenditure on the principal activities of the Trust, such funds may be held in order to finance capital investment and working capital.

##### **Designated funds**

The Building Fund (previously named the Bristol + fund) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

## Notes (continued)

### 1 Accounting policies (continued)

Currently the Building Fund is underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2021/22, these costs total £211,707 and are being treated as an asset on Watershed's balance sheet.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

In 2020/21 a new designated fund was established to ring fence surpluses associated with the Arts Council Cultural recovery fund (£34,310). This fund was fully utilised in the 2021/22 financial year.

### Subsidiaries

Details of subsidiary undertakings owned by the charity are disclosed in notes 6 and 7.

### Fixed assets and depreciation

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000.

Fixed assets are subject to a policy of cost and depreciation, except for the head lease. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Furniture and fittings 10% - 20% per annum

Plant and equipment 10% - 33% per annum

In December 2002 Watershed purchased a new lease on the existing premises for the sum of £650,000 on the same terms as the existing lease excepting the term is for 99 years from 25 March 1982 and the rental is peppercorn.

Depreciation is provided on a straight line basis over a 79 year period (the unexpired term of the lease).

Leasehold improvements

The Board re-assessed the useful economic lives of leasehold improvements in 1992. All leasehold improvements are depreciated over 25 years on a straight line basis.

In December 2002 Watershed commenced a programme of capital development which created new administration and event spaces, a third cinema screen, refurbished the existing two screens, created an extension to the café/bar area and provided a fully accessible lift. The programme was completed in March 2006.

In March 2009 Watershed constructed a balcony extension to the café/bar area.

In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years' time and consequently the costs of this work are being depreciated over a 10 year period.

In December 2015 Watershed undertook a programme of refurbishment to upgrade its computer facilities, kitchen equipment and lighting to more energy efficient and environmentally friendly equivalents. The costs of these upgrades are being depreciated over a 10 year period to reflect the useful life of these improvements.

In June 2017 Watershed undertook a programme of refurbishment to update its Front of House facilities, making them fit for purpose and accessible. The costs of these upgrades are being depreciated over a 10 year period to reflect the useful life of these improvements.

Acquisition of the head lease to E & W sheds

In March 2007 Watershed purchased the head lease to E & W sheds for its unexpired term of 111  $\frac{3}{4}$  years. The final price paid was £5.95 million. Previously depreciation was provided on a straight line basis over a 111  $\frac{3}{4}$  year period (the unexpired term of the lease).

## **Notes** *(continued)*

### **1** **Accounting policies** *(continued)*

In 2019/20, the head lease was revalued at a market value of £7,650,000. Going forward the treatment of the lease will be on a re-valuation basis.

The valuation was carried out by chartered surveyors Carter Baynes following the granting of a deed of variation from Bristol City Council which reduced the ground rent payable on the head lease to peppercorn from 1 April 2019.

Opinions of value were provided for both the investment and market value subject to the existing tenancies.

As the useful economic life of some of the above assets exceeds 50 years, the Trustees review the assets for impairment on an annual basis.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Basic financial liabilities**

Basic financial liabilities, including trade creditors, other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, bank overdrafts or other short-term liquid investments with original maturities of three months or less.

#### **Foreign currency policy**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

### **2** **Critical accounting judgments and key sources of estimation uncertainty**

The head lease to E&W sheds is held by the Charity for the purposes of direct use of the Charity. It is Watershed's intention to impact positively on the immediate public realm and create an external environment around Watershed that is both welcoming and inclusive. Rental income generated by the head lease tenancies is applied directly to the charitable objectives of the Arts Trust. It is therefore deemed appropriate to classify the valuation of the head lease on its value as Property, Plant and Equipment (PPE) rather than as mixed use investment assets.

**Notes** *(continued)*

**2 Critical accounting judgments and key sources of estimation uncertainty** *(continued)*

Trustees have given due consideration to the impact of the COVID pandemic on the value of the head lease and consider that there are no material changes to the value of the property (see note 13).

Voluntary income is recognised at the point at which the Charity deems it has entitlement to those funds. Decisions around the timing of entitlement are based on the terms and conditions of the particular grant or contract, past precedents around funder's accountability requirements and the need to show a true and transparent picture of the Charity's activities.

Grant income is often offered to Watershed in advance of the activity it supports. In these instances, no entitlement is assumed until the funded activity commences. Up to this point funds are held as deferred restricted income. Income is then credited to the profit and loss account to match the related expenditure as the funded activity progresses.

**3 Legal status of the charity**

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2022 there were 13 members.

**Notes** (continued)

**4 Grant and project income receivable (Group)**

|   | Deferred as<br>at 1 April<br>2021 | Cash<br>received &<br>receivable<br>2021/22 | Credited to<br>income &<br>expenditure<br>2021/22 | Transferred<br>to capital<br>grants<br>2021/22 | Deferred as<br>at 31 March<br>2022 |
|---|-----------------------------------|---|---|--|------------------------------------|
|   | £                                 | £   | £   | £  | £                                  |
| <b>Income from donations and legacies</b>       |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| <b>Regular Grant Funding</b>                    |                                   |   |   |  |                                    |
| Arts Council England – National Portfolio funds | -                                 | 757,984                                     | (757,984)   | -  | -                                  |
| Bristol City Council – Key Arts Provider funds  | -                                 | 54,400                                      | (54,400)  | -  | -                                  |
| <b>Total Regular Grant Funding</b>              | <b>-</b>                          | <b>812,384</b>                              | <b>(812,384)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Cultural Recovery Grants</b>                 |                                   |   |   |  |                                    |
| Arts Council England                            | 33,333                            | 364,993                                     | (398,326)   | -  | -                                  |
| <b>Total unrestricted grant funding</b>         | <b>33,333</b>                     | <b>364,993</b>                              | <b>(398,326)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Restricted grants</b>                        |                                   |   |   |  |                                    |
| <b>Cultural Recovery Grants</b>                 |                                   |   |   |  |                                    |
| Arts Council England – Cultural Recovery        | -                                 | -   | -   | -  | -                                  |
| <b>Total restricted grant funding</b>           | <b>-</b>                          | <b>-</b>                                    | <b>-</b>  | <b>-</b>                                       | <b>-</b>                           |
| <b>Income from charitable activities</b>        |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| Europa Cinemas                                  | -                                 | -   | -   | -  | -                                  |
| <b>Unrestricted other project funding</b>       |                                   |   |   |  |                                    |
| Other   | -                                 | 6,000                                       | (6,000)   | -  | -                                  |
| <b>Total other grants</b>                       | <b>-</b>                          | <b>6,000</b>                                | <b>(6,000)</b>                                    | <b>-</b>                                       | <b>-</b>                           |
| <b>Restricted</b>                               |                                   |   |   |  |                                    |
| <b>Programme funding - grants</b>               |                                   |   |   |  |                                    |
| British Film Institute                          | -                                 | 783,500                                     | (766,953)   | -  | 16,547                             |
| HE Sector                                       | 143,459                           | 376,860                                     | (408,525)   | -  | 111,794                            |
| Other grants                                    | -                                 | 124,883                                     | (113,643)   | -  | 11,240                             |
| <b>Programme funding - other</b>                |                                   |   |   |  |                                    |
| Other project funds                             | -                                 | 132,500                                     | (124,500)   | -  | 8,000                              |
| <b>Total programme funds</b>                    | <b>143,459</b>                    | <b>1,417,743</b>                            | <b>(1,413,621)</b>                                | <b>-</b>                                       | <b>147,581</b>                     |
| <b>Other Grants</b>                             |                                   |   |   |  |                                    |
| <b>Unrestricted</b>                             |                                   |   |   |  |                                    |
| Government grants (COVID support)               | -                                 | 142,256                                     | (142,256)   | -  | -                                  |
| <b>Total other grants</b>                       | <b>-</b>                          | <b>142,256</b>                              | <b>(142,256)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Total</b>                                    | <b>176,792</b>                    | <b>2,743,376</b>                            | <b>(2,772,587)</b>                                | <b>-</b>                                       | <b>147,581</b>                     |

## Notes (continued)

### 5 Financial activities of the charity

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC.

The gross incoming resources for the year ended 31 March 2022 for the charity was £3,680,748 (2021: £4,006,366). The overall net incoming resources for the year was a deficit of £36,978 (2021: surplus of £556,269), with a deficit of £2,730 (2021: surplus of £671,186) on unrestricted reserves.

### 6 Trading subsidiary's results (Watershed Trading Limited)

|   | 2022<br>Total<br>£ | 2021<br>Total<br>£ |
|---|--------------------|--------------------|
| <b>Turnover</b>                                     | <b>976,163</b>     | 538,641            |
| Cost of sales                                       | <b>(776,335)</b>   | (619,471)          |
|   | -----              | -----              |
| <b>Gross profit/(loss)</b>                          | <b>199,828</b>     | (80,830)           |
| Administration and other costs                      | <b>(126,663)</b>   | (63,563)           |
|   | -----              | -----              |
| <b>Trading profit/(loss)</b>                        | <b>73,165</b>      | (144,393)          |
| Other income  | <b>9</b>           | -                  |
|   | -----              | -----              |
| <b>Net income/ (outgoing funds)</b>                 | <b>73,174</b>      | (144,393)          |
| Gift aid payment to Watershed Arts Trust Limited    | -                  | -                  |
| Management charge from Watershed Arts Trust Limited | <b>(57,309)</b>    | (58,333)           |
| Tax on profit on ordinary activities                | -                  | 2,079              |
|   | -----              | -----              |
| <b>Retained profit/(loss) for the year</b>          | <b>15,865</b>      | (200,647)          |
| Retained profit brought forward                     | <b>64,182</b>      | 264,829            |
|   | -----              | -----              |
| <b>Retained profit carried forward</b>              | <b>80,047</b>      | 64,182             |
|   | =====              | =====              |

The assets and liabilities of the subsidiary were:

|  | 2022<br>Total<br>£ | 2021<br>Total<br>£ |
|--|--------------------|--------------------|
| Fixed assets                                   | <b>37,531</b>      | 26,053             |
| Current assets                                 | <b>391,489</b>     | 476,061            |
| Creditors: amounts falling due within one year | <b>(345,388)</b>   | (434,347)          |
| Provisions for liabilities and charges         | <b>(3,485)</b>     | (3,485)            |
|  | -----              | -----              |
| <b>Net assets</b>                              | <b>80,147</b>      | 64,282             |
|  | =====              | =====              |
| <b>Equity shareholders' funds</b>              | <b>80,147</b>      | 64,282             |
|  | =====              | =====              |

| <b>Notes</b> <i>(continued)</i>             | <b>2022</b>    | 2021    |
|---|----------------|---------|
| <b>Subsidiary Turnover</b>                  | <b>Total</b>   | Total   |
|   | £              | £       |
| Café/bar, conference, retail sales          | <b>869,227</b> | 98,754  |
| Government JRS grants                       | <b>73,603</b>  | 373,220 |
| Arts Council England Cultural Recovery Fund | <b>33,333</b>  | 66,667  |
|   | <hr/>          | <hr/>   |
| <b>Turnover</b>                             | <b>976,163</b> | 538,641 |
|   | <hr/>          | <hr/>   |

## 7 Trading subsidiary's results (Watershed Ventures CIC)

|   | <b>2022</b>  | 2021    |
|---|--------------|---------|
|   | Total        | Total   |
|   | £            | £       |
| <b>Turnover</b>                                     | -            | -       |
| Cost of sales                                       | -            | -       |
|   | <hr/>        | <hr/>   |
| <b>Gross profit</b>                                 | -            | -       |
| Administration and other costs                      | <b>(504)</b> | (1,198) |
|   | <hr/>        | <hr/>   |
| <b>Trading profit</b>                               | <b>(504)</b> | (1,198) |
| Other income  | <b>3</b>     | 33      |
|   | <hr/>        | <hr/>   |
| <b>Net income</b>                                   | <b>(501)</b> | (1,165) |
| Gift aid payment to Watershed Arts Trust Limited    | -            | -       |
| Management charge from Watershed Arts Trust Limited | -            | -       |
| Tax on profit on ordinary activities                | -            | -       |
|   | <hr/>        | <hr/>   |
| <b>Retained profit for the year</b>                 | <b>(501)</b> | (1,165) |
| Retained profit brought forward                     | <b>8,286</b> | 9,451   |
|   | <hr/>        | <hr/>   |
| <b>Retained profit carried forward</b>              | <b>7,785</b> | 8,286   |
|   | <hr/>        | <hr/>   |

The assets and liabilities of the subsidiary were:

|  | <b>2022</b>   | 2021    |
|--|---------------|---------|
|  | Total         | Total   |
|  | £             | £       |
| Current assets                                 | <b>58,586</b> | 60,359  |
| Creditors: amounts falling due within one year | <b>(800)</b>  | (2,072) |
|  | <hr/>         | <hr/>   |
| <b>Net assets</b>                              | <b>57,786</b> | 58,287  |
|  | <hr/>         | <hr/>   |
| <b>Equity shareholders' funds</b>              | <b>57,786</b> | 58,287  |
|  | <hr/>         | <hr/>   |

Watershed Ventures CIC is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479a.

**Notes** (continued)

**8 Allocation of support costs**

The Trust allocates its support costs as shown in the table below and then further apportions those costs between the two charitable activities undertaken (see note 9). Support costs are allocated on a basis consistent with the use of resources.

|                       | Charitable activities<br>£ | Fundraising costs<br>£ | Governance<br>£ | 2022<br>Total<br>£    | 2021<br>Total<br>£ |
|-----------------------|----------------------------|------------------------|-----------------|-----------------------|--------------------|
| <b>Support cost</b>   |                            |                        |                 |                       |                    |
| General office        | 91,486                     | 1,746                  | 15,056          | <b>108,288</b>        | 83,887             |
| Finance office        | 207,583                    | 2,504                  | 50,931          | <b>261,018</b>        | 205,769            |
| External audit        | -                          | -                      | 22,821          | <b>22,821</b>         | 19,433             |
| Professional services | 16,478                     | -                      | 13,736          | <b>30,214</b>         | 22,758             |
| Fundraiser costs      | -                          | 48,290                 | -               | <b>48,290</b>         | 16,564             |
|                       | <u>315,547</u>             | <u>52,540</u>          | <u>102,544</u>  | <u><b>470,631</b></u> | <u>348,411</u>     |

**9 Analysis of charitable expenditure**

|   | Audience<br>Engagement<br>Programme<br>£ | Creative<br>technology and<br>talent<br>development<br>projects<br>£ | 2022<br>Total<br>£      | 2021<br>Total<br>£ |
|---|--|--|-------------------------|--------------------|
| Cinema Screening – direct costs         | 609,232                                  | -  | <b>609,232</b>          | 445,132            |
| Direct programme/project costs          | 600,533                                  | 738,795  | <b>1,339,328</b>        | 1,488,808          |
| Arts programme management and marketing | 339,656                                  | 239,912  | <b>579,568</b>          | 584,191            |
| Premises costs                          | 307,560                                  | 162,684  | <b>470,244</b>          | 324,513            |
| General support costs                   | 252,438                                  | 63,109   | <b>315,547</b>          | 254,881            |
| Governance costs                        | 82,035                                   | 20,509   | <b>102,544</b>          | 73,255             |
| Depreciation                            | 129,395                                  | 32,349   | <b>161,744</b>          | 196,315            |
|   | <u>2,320,849</u>                         | <u>1,257,358</u>   | <u><b>3,578,207</b></u> | <u>3,367,095</u>   |

## Notes (continued)

### 10 Staff numbers and costs

The average headcount in the year for the group was 101 (2021: 109).

The full time equivalent average number of persons employed by Watershed during the year, including directors, analysed by category, was as follows:

|                               | Number of employees |           |
|-------------------------------|---------------------|-----------|
|                               | 2022                | 2021      |
| Cultural engagement programme | 36                  | 35        |
| Administration                | 12                  | 12        |
| Trading                       | 21                  | 19        |
|                               | <u>69</u>           | <u>66</u> |

The aggregate payroll costs of these persons were as follows:

| Group                 | 2022             | 2021             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Directors' emoluments | -                | -                |
| Wages and salaries    | 2,206,588        | 2,165,007        |
| Social security costs | 192,356          | 177,145          |
| Pension costs         | 47,796           | 49,229           |
|                       | <u>2,446,740</u> | <u>2,391,381</u> |

During the current and previous year, the Trustees were not paid any remuneration or reimbursed for expenses. No Trustees made a donation to the charity in the current or previous year.

Key management compensation in total for the year was £78,592 (2021: £70,353). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £75,000 to £80,000 (2021 - the emoluments of one employee, including benefits in kind, was within the range of £60,000 to £69,999).

### 11 Net movement on funds is stated after charging

|  | 2022    | 2021      |
|--|---------|-----------|
|  | £       | £         |
| Auditors' remuneration – audit services (Charity: £14,875)       | 25,325  | 13,650    |
| Auditors' remuneration – non audit services (Charity: £7,946)    | 11,199  | 9,350     |
| Depreciation and other amounts written off tangible fixed assets | 175,920 | 275,322   |
| Inventories recognised as an expense                             | 628,362 | 1,257,449 |
| Operating lease payments recognised as an expense                | 10,306  | 10,306    |

## Notes (continued)

### 12 Taxation

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2022 or 2021 by Watershed Ventures CIC.

|  | 2022<br>£   | 2021<br>£   |
|--|-------------|-------------|
| <b>Current tax</b>                         |             |             |
| UK corporation tax on results of the year  | -           | -           |
| <b>Deferred tax</b> (see note 19)          |             |             |
| Origination/reversal of timing differences | -           | (2,079)     |
|  | <hr/>       | <hr/>       |
| Tax on profit on ordinary activities       | -           | (2,079)     |
|  | <hr/> <hr/> | <hr/> <hr/> |

#### *Factors affecting the tax charge for the current period*

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19%), (2020: 19%). The differences are explained below:

|   | 2022<br>£      | 2021<br>£   |
|---|----------------|-------------|
| <i>Current tax reconciliation</i>               |                |             |
| Profit/(loss) on ordinary activities before tax | <b>15,865</b>  | (202,726)   |
|   | <hr/>          | <hr/>       |
| Current tax at 19%                              | <b>3,014</b>   | (38,518)    |
| <i>Effects of:</i>                              |                |             |
| Losses brought back                             | -              | 36,275      |
| Other timing differences                        | <b>(3,883)</b> | -           |
| Expenses not deductible for tax purposes        | <b>17</b>      | 164         |
| Deferred tax changes in tax rates               | <b>1,725</b>   | -           |
| Group relief claimed                            | <b>(873)</b>   | -           |
|   | <hr/>          | <hr/>       |
| Total current tax charge (see above)            | -              | (2,079)     |
|   | <hr/> <hr/>    | <hr/> <hr/> |

**Notes** (continued)

**13 Tangible fixed assets**

|                           | Head lease        | Leasehold improvements | Furniture and equipment | Total             |
|---------------------------|-------------------|------------------------|-------------------------|-------------------|
| Group                     | £                 | £                      | £                       | £                 |
| <i>Cost or valuation</i>  |                   |                        |                         |                   |
| At beginning of year      | 7,650,000         | 3,110,594              | 1,775,373               | 12,535,967        |
| Disposals in the year     | -                 | -                      | -                       | -                 |
| Revaluation of head lease | -                 | -                      | -                       | -                 |
| Additions                 | -                 | 18,804                 | 45,583                  | 64,387            |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |
| At end of year            | 7,650,000         | 3,204,571              | 1,745,783               | 12,600,354        |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |
| <i>Depreciation</i>       |                   |                        |                         |                   |
| At beginning of year      | -                 | 1,978,065              | 1,278,226               | 3,256,291         |
| Depreciation on disposals | -                 | -                      | -                       | -                 |
| Charge for year           | -                 | 103,267                | 72,653                  | 175,920           |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |
| At end of year            | -                 | 2,081,332              | 1,350,879               | 3,432,211         |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |
| <i>Net book value</i>     |                   |                        |                         |                   |
| <b>At 31 March 2022</b>   | <b>7,650,000</b>  | <b>1,123,239</b>       | <b>394,904</b>          | <b>9,168,143</b>  |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |
| At 31 March 2021          | 7,650,000         | 1,132,529              | 497,147                 | 9,279,676         |
|                           | <u>          </u> | <u>          </u>      | <u>          </u>       | <u>          </u> |

Critical judgements around the value of the head lease are described in note 2

## Notes (continued)

### 13 Tangible fixed assets (continued)

|                           | Head lease       | Leasehold improvements | Furniture and equipment | Total            |
|---------------------------|------------------|------------------------|-------------------------|------------------|
|                           | £                | £                      | £                       | £                |
| <b>Charity</b>            |                  |                        |                         |                  |
| <i>Cost or valuation</i>  |                  |                        |                         |                  |
| At beginning of year      | 7,650,000        | 3,110,594              | ,658,887                | 12,419,481       |
| Disposals in the year     | -                | -                      | -                       | -                |
| Additions                 | -                | 18,804                 | 19,929                  | 38,733           |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year            | 7,650,000        | 3,204,571              | 1,603,643               | 12,458,214       |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Depreciation</i>       |                  |                        |                         |                  |
| At beginning of year      | -                | 1,978,065              | 1,187,793               | 3,165,858        |
| Depreciation on disposals | -                | -                      | -                       | -                |
| Charge for year           | -                | 103,267                | 58,477                  | 161,744          |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year            | -                | 2,081,332              | 1,246,270               | 3,327,602        |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Net book value</i>     |                  |                        |                         |                  |
| <b>At 31 March 2022</b>   | <b>7,650,000</b> | <b>1,123,239</b>       | <b>357,373</b>          | <b>9,130,612</b> |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At 31 March 2021          | 7,650,000        | 1,132,529              | 471,094                 | 9,253,623        |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |

The Trustee's review of the fixed assets has concluded that their value is not impaired.

The head lease qualifies as a 'long leasehold' as it has over 50 years to run.

### 14 Fixed asset investments

| Shares                       | Charity<br>2022<br>£ | Charity<br>2021<br>£ |
|------------------------------|----------------------|----------------------|
| At the beginning of the year | 50,101               | 50,101               |
|                              | <hr/>                | <hr/>                |
| At the end of the year       | 50,101               | 50,101               |
|                              | <hr/>                | <hr/>                |

The above shares represent equity investments in group undertakings.

The company owns 100% of the issued share capital of Watershed Trading Limited (company registration number: 01621620), a company incorporated in England and Wales. The principal activities of this company are the operation of the café/bar, and conference facilities at Watershed.

The company owns 100% of the issued share capital of Watershed Ventures CIC (company registration number: 06097013), a company incorporated in England and Wales. The principal activities of this company are to promote participation by individuals, groups and organisations in the creative industries in the South West of England and elsewhere.

### 15 Stocks

|                                     | Group     |           | Charity   |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
|                                     | 2022<br>£ | 2021<br>£ | 2022<br>£ | 2021<br>£ |
| Finished goods and goods for resale | 15,233    | 6,051     | -         | -         |
|                                     | <hr/>     | <hr/>     | <hr/>     | <hr/>     |

**Notes (continued)****16 Debtors**

|  | <b>Group</b>   |                | <b>Charity</b> |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2022</b>    | 2021           | <b>2022</b>    | 2021           |
|  | £              | £              | £              | £              |
| Trade debtors  | <b>99,000</b>  | 17,938         | <b>22,923</b>  | 15,703         |
| Prepayments and accrued income                       | <b>175,090</b> | 305,245        | <b>170,572</b> | 305,245        |
| Other debtors including taxation and social security | <b>64,322</b>  | 38,355         | <b>64,232</b>  | 55,763         |
| Amounts owed from Group undertakings                 | -              | -              | <b>130,960</b> | -              |
|  | <u>338,412</u> | <u>361,538</u> | <u>388,687</u> | <u>376,711</u> |

All debtors are recoverable within one year.

Other debtors include an amount of £61,386 owed to Watershed for other taxes and social security.

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

|  | <b>Group</b>   |                | <b>Charity</b> |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2022</b>    | 2021           | <b>2022</b>    | 2021           |
|  | £              | £              | £              | £              |
| Trade creditors  | <b>355,263</b> | 207,384        | <b>340,005</b> | 194,450        |
| Other creditors including taxation and social security | <b>165,827</b> | 133,538        | <b>64,047</b>  | 51,143         |
| Accruals and deferred income                           | <b>367,930</b> | 396,349        | <b>269,740</b> | 302,676        |
| Amounts owed to group undertakings                     | -              | -              | <b>212</b>     | 1,332          |
| CBILS loan   | -              | 200,000        | -              | -              |
|  | <u>889,020</u> | <u>937,271</u> | <u>674,004</u> | <u>549,601</u> |

Other creditors include £136,106 (2021: £114,294) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £144,378, deferred income comprising £60,349 of conference deposits, £9,375 of rental income received in advance, £6,247 of advance cinema sales and £147,581 of grant and project income (note 4).

In March 2021, a loan from HSBC Bank was taken out by Watershed Trading Limited for £200,000 as part of the Coronavirus Business Interruption Loan Scheme. The funds were held in a separate reserve account and remained unused. The loan was repaid in full in February 2022.

Deferred rent income, advanced cinema sales, and conference deposits were fully released in the year. The Balances at the year end were:

|                             | <b>Group</b>   | <b>Charity</b>  |
|-----------------------------|----------------|-----------------|
|                             | £              | £               |
| Balance as at 1 April 2021  | <b>78,675</b>  | <b>41,370</b>   |
| Amount deferred in the year | <b>(2,704)</b> | <b>(25,748)</b> |
|                             | <u>75,971</u>  | <u>15,622</u>   |
| Balance as at 31 March 2022 | <b>75,971</b>  | <b>15,622</b>   |

**Notes** (continued)

**18 Creditors: amounts falling due after more than one year**

|                                 | <b>Group</b>    |             | <b>Charity</b>  |             |
|---------------------------------|-----------------|-------------|-----------------|-------------|
|                                 | <b>2022</b>     | <b>2021</b> | <b>2022</b>     | <b>2021</b> |
|                                 | <b>£</b>        | <b>£</b>    | <b>£</b>        | <b>£</b>    |
| Other loans                     | <b>(29,690)</b> | (29,690)    | <b>(29,690)</b> | (29,690)    |
| Analysis of loans               |                 |             |                 |             |
| Wholly repayable within 5 years | <b>(29,690)</b> | (29,690)    | <b>(29,690)</b> | (29,690)    |

The balance of £29,690 relates to rental deposits being held in respect of tenancies to E & W sheds.

**19 Provisions and liabilities**

| <b>Group</b>                                  | <b>Deferred tax</b> |
|---|---------------------|
|   | <b>£</b>            |
| At beginning of year                          | 3,485               |
| Movement in the year (note 12)                | -                   |
| Add back deferred tax asset (held in debtors) | -                   |
| <b>Deferred tax liability at end of year</b>  | <b>3,485</b>        |

The elements of deferred taxation are as follows:

|  | <b>2022</b>  | <b>2021</b> |
|--|--------------|-------------|
|  | <b>£</b>     | <b>£</b>    |
| Difference between accumulated depreciation and capital allowances | <b>3,485</b> | 3,485       |
| Other short term timing differences                                | -            | -           |
|  | <b>3,485</b> | 3,485       |

The charity has no deferred taxation liabilities.

**Notes** (continued)

**20 Unrestricted income funds**

|  | <b>Group<br/>£</b> | <b>Charity<br/>£</b> |
|--|--------------------|----------------------|
| At beginning of year                     | 9,106,085          | 9,033,617            |
| Movement in year before transfers        | (96,614)           | (111,978)            |
| Transfer from restricted funds (note 21) | 109,248            | 109,248              |
|  | <hr/>              | <hr/>                |
| <b>At end of year</b>                    | <b>9,118,719</b>   | <b>9,030,887</b>     |
|  | <hr/> <hr/>        | <hr/> <hr/>          |

|                                  | <b>At beginning<br/>of year: 1<br/>April 2021</b> | <b>Incoming<br/>resources</b> | <b>Expenditure</b> | <b>Transfers</b> | <b>Other<br/>recognised<br/>gains and<br/>losses</b> | <b>At end of<br/>Year: 31<br/>March 2022</b> |
|----------------------------------|---|-------------------------------|--------------------|------------------|--|--|
|                                  | <b>£</b>  | <b>£</b>                      | <b>£</b>           | <b>£</b>         | <b>£</b>   | <b>£</b>                                     |
| <b>Unrestricted income funds</b> |   |                               |                    |                  |  |  |
| General fund                     | 1,058,008   | 3,100,783                     | (3,197,397)        | 159,302          | -  | <b>1,120,696</b>                             |
| <i>Designated Funds</i>          |   |                               |                    |                  |  |  |
| Building fund                    | 244,717   | -                             | -                  | -                | -  | <b>244,717</b>                               |
| Head lease fund                  | 5,504,856   | -                             | -                  | -                | -  | <b>5,504,856</b>                             |
| Capital fund                     | 709,544   | -                             | -                  | -                | -  | <b>709,544</b>                               |
| Revaluation reserve (head lease) | 1,435,600   | -                             | -                  | -                | -  | <b>1,435,600</b>                             |
| Clusters Fund                    | 35,539  | -                             | -                  | -                | -  | <b>35,539</b>                                |
| Rife Fund                        | 14,662  | -                             | -                  | (14,662)         | -  | -  |
| Film Hub Fund                    | 68,849  | -                             | -                  | (1,082)          | -  | <b>67,767</b>                                |
| ACE Cultural Recovery funds      | 34,310  | -                             | -                  | (34,310)         | -  | -  |
|                                  | <hr/>   | <hr/>                         | <hr/>              | <hr/>            | <hr/>  | <hr/>  |
|                                  | 9,106,085   | 3,100,783                     | (3,197,397)        | 109,248          | -  | <b>9,118,719</b>                             |
|                                  | <hr/> <hr/>                                       | <hr/> <hr/>                   | <hr/> <hr/>        | <hr/> <hr/>      | <hr/> <hr/>  | <hr/> <hr/>                                  |

The head lease fund (£5,504,856) represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the head lease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust.

Following the revaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment. The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. These amounts represent the head lease valuation of £7,650,000 and therefore do not form part of the freely available reserves of the Trust.

## Notes (continued)

### 21 Restricted funds: Group and Charity

|                                       | At<br>beginning<br>of year: 1<br>April 2021 | Incoming<br>resources | Transfer to<br>unrestricted<br>income<br>funds | Re-<br>classification<br>to<br>unrestricted<br>funds | Outgoing<br>resources | At end of<br>Year: 31<br>March<br>2022 |
|---------------------------------------|---|-----------------------|--|--|-----------------------|--|
|                                       | £   | £                     | £  | £  | £                     | £                                      |
| <b>Capital funds</b>                  |   |                       |  |  |                       |  |
| Deferred capital grant                | 7,996                                       | -                     | (1,600)  | -  | -                     | 6,396                                  |
| Deferred capital refurbishment grants | 504,577                                     | -                     | (67,426)                                       | -  | -                     | 437,151                                |
| Lottery lease purchase grant          | 522,719                                     | -                     | (8,712)  | -  | -                     | 514,007                                |
| ACE GforA capital grant               | 33,289                                      | -                     | (2,800)  | -  | -                     | 30,489                                 |
| ACE small capital grant               | 114,840                                     | -                     | (28,710)                                       | -  | -                     | 86,130                                 |
| Garfield Weston capital grant         | 100,000                                     | -                     | -  | -  | -                     | 100,000                                |
| Other capital funds                   | 10,000                                      | 75,000                | -  | -  | -                     | 85,000                                 |
|                                       | <u>1,293,421</u>                            | <u>75,000</u>         | <u>(109,248)</u>                               | <u>-</u>   | <u>-</u>              | <u>1,259,173</u>                       |

Transfer to unrestricted income funds is in respect of the annual release to the SOFA in respect of capital grants. Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

#### Deferred capital grant

Grant support to fund refurbishments undertaken in 2001/02 has been transferred to deferred capital grants and is being taken to income over the same period of time as the depreciation of the assets funded by the grants (25 years).

#### Deferred capital refurbishment grants

Grant support to enable refurbishment of the existing cinemas and the construction of new administration spaces, a third cinema screen, an extended café/bar facility and a new lift has been transferred to deferred capital grants and is being taken to income over a period of 25 years. The work commenced in December 2002.

#### Lottery lease purchase grant

Lottery Grant support from Arts Council England Stabilisation scheme to enable the Watershed's lease purchase has been transferred to deferred capital grants and is being taken to income funds over a period of 79 years to match the unexpired period of the lease.

#### Garfield Weston capital grant

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants. Since this project has been delayed, the funds have now been approved for use in supporting the refurbishment of Watershed's first floor toilets into a fully inclusive facility and will be taken to income over the same period of time as the depreciation of the assets it will fund once the refurbishment has been undertaken in 2022/23.

#### Other capital funds

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period of time as the depreciation of the assets it will fund once the capital project has been undertaken.

Grant support from Bristol City Council towards the costs of refurbishing Watershed's first floor toilets into a fully inclusive facility. The funds will be taken to income over the same period of time as the depreciation of the assets it will fund once the refurbishment is completed in 2022/23.

#### Voluntary income and project funding from charitable activities

Donated services and one-off grants received which are restricted by the donors are spent in accordance with the donors' restrictions.

Revenue grants received for specific creative projects are categorised as income from charitable activities and the grants are spent in accordance with the donors' restrictions.

## Notes (continued)

### 22 Analysis of fund balances - group

|  | Unrestricted<br>funds<br>£ | Restricted<br>funds<br>£ | 2022<br>Total<br>£       | 2021<br>Total<br>£ |
|--|----------------------------|--------------------------|--------------------------|--------------------|
| Fixed assets                           | 7,908,970                  | 1,259,173                | <b>9,168,143</b>         | 9,279,676          |
| Net current assets                     | 1,242,924                  | -                        | <b>1,242,924</b>         | 1,153,005          |
| Long term liabilities                  | (29,690)                   | -                        | <b>(29,690)</b>          | (29,690)           |
| Provisions for liabilities and charges | (3,485)                    | -                        | <b>(3,485)</b>           | (3,485)            |
|  | <u>9,118,719</u>           | <u>1,259,173</u>         | <u><b>10,377,892</b></u> | <u>10,399,506</u>  |

### 23 Operating leases as a lessee

The future minimum lease payments under non-cancellable operating leases expected to be paid by the Charity and Group will fall due as follows:

|                            | 2022<br>Group and<br>Charity plant<br>and equipment<br>£ | 2021<br>Group and<br>Charity plant<br>and equipment<br>£ |
|----------------------------|--|--|
| Within one year            | <b>10,306</b>  | 10,306   |
| Between one and five years | <b>27,586</b>  | 37,892   |
| After five years           | -  | -  |
|                            | <u><b>37,892</b></u>                                     | <u>48,198</u>  |

### 24 Operating leases as a lessor

The future minimum lease payments under non-cancellable operating leases expected to be received by the Charity and Group are due to be received as follows:

|                            | 2022<br>Group and<br>Charity leasehold<br>property<br>£ | 2021<br>Group and<br>Charity leasehold<br>property<br>£ |
|----------------------------|---|---|
| Within one year            | <b>211,219</b>  | 236,385   |
| Between one and five years | <b>794,340</b>  | 806,974   |
| After five years           | <b>183,594</b>  | 382,179   |
|                            | <u><b>1,189,153</b></u>                                 | <u>1,425,538</u>  |

## **Notes** *(continued)*

### **25 Related party transactions**

During the year legal fees of £1,424 (2021: £6,972) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £3,854 (2021: £6,141) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in June 2016.

The Board has delegated authority to the Chief Executive Officer to instruct TLT LLP, or any other law firm, on matters where the total fee charged on that transaction does not exceed £10,000. Transactions above this limit are approved by the Board. James Touzel absents himself from any discussion of any proposal to instruct TLT LLP or to approve fee proposals submitted by TLT LLP.

During the year consultancy fees of £nil (2021: £6,000) were paid to Susan Cooper in respect of work undertaken on the SWCTN programme. Susan Cooper is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £nil (2021: £1,025) were paid to Parys Gardener in respect of work undertaken on programme design and facilitation. Parys Gardener is a trustee of Watershed Arts Trust Limited.

26 Comparative statement of financial activities

|   | <i>Note</i> | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£  | Total Funds<br>2021<br>£  |
|---|-------------|----------------------------|---------------------------|---------------------------|
| <b>Income</b>   |             |                            |                           |                           |
| <b>Voluntary income</b>                                     |             |                            |                           |                           |
| <i>Donations and legacies</i>                               |             |                            |                           |                           |
| Individual giving   |             | 35,628                     | -                         | 35,628                    |
| Donated services  |             | 6,141                      | -                         | 6,141                     |
| Regular grant funding                                       | 4           | 812,384                    | -                         | 812,384                   |
| Arts Council England Cultural Recovery Grant                | 4           | 587,977                    | 110,683                   | 698,660                   |
| <i>Other trading activities</i>                             |             |                            |                           |                           |
| Commercial trading operations                               | 6/7         | 100,833                    | -                         | 100,833                   |
| <i>Investment income</i>                                    |             |                            |                           |                           |
| Interest receivable   |             | 75                         | -                         | 75                        |
|   |             | <u>1,543,038</u>           | <u>110,683</u>            | <u>1,653,721</u>          |
| <b>Income from charitable activities</b>                    |             |                            |                           |                           |
| Earned income from cinema activities                        |             | 56,588                     | -                         | 56,588                    |
| Rental income   |             | 139,467                    | -                         | 139,467                   |
| Service charges   |             | 80,210                     | -                         | 80,210                    |
| Other earned income   |             | 95,628                     | -                         | 95,628                    |
| Programme funds   | 4           | 3,557                      | 1,672,351                 | 1,675,908                 |
|   |             | <u>375,450</u>             | <u>1,672,351</u>          | <u>2,047,801</u>          |
| <b>Other income</b>   |             |                            |                           |                           |
| Government grants (COVID support)                           |             | 777,264                    | -                         | 777,264                   |
| Capital grants  |             | -                          | 10,000                    | 10,000                    |
| <b>Total income</b>   |             | <u><b>2,695,752</b></u>    | <u><b>1,793,034</b></u>   | <u><b>4,488,786</b></u>   |
| <b>Expenditure</b>  |             |                            |                           |                           |
| <b>Costs of raising funds</b>                               |             |                            |                           |                           |
| Fundraising costs   | 8           | (20,275)                   | -                         | (20,275)                  |
| Commercial trading operations                               | 6           | (683,035)                  | -                         | (683,035)                 |
|   |             | <u>(703,310)</u>           | <u>-</u>                  | <u>(703,310)</u>          |
| <b>Charitable activities</b>                                |             |                            |                           |                           |
| Operation of cinema, engagement and creative media projects | 9           | (1,584,061)                | (1,783,034)               | 3,367,095                 |
| Donated services  |             | (6,141)                    | -                         | (6,141)                   |
| CIC operation   | 7           | (1,198)                    | -                         | (1,198)                   |
| Property management costs                                   |             | (56,586)                   | -                         | (56,586)                  |
| Reversal of depreciation (Head lease revaluation)           | 13          | -                          | -                         | -                         |
| <b>Total expenditure</b>                                    |             | <u><b>(2,351,296)</b></u>  | <u><b>(1,783,034)</b></u> | <u><b>(4,134,330)</b></u> |
| Net income/(expenditure) before transfers and               |             | 344,456                    | 10,000                    | 354,456                   |
| Net income/(expenditure) for the year                       |             |                            |                           |                           |
| Transfers between funds                                     | 20          | 124,917                    | (124,917)                 | -                         |
| <i>Other recognised gains and losses</i>                    |             |                            |                           |                           |
| Gains on revaluation of head lease                          |             | -                          | -                         | -                         |
| Net movement in funds                                       |             | <u>469,373</u>             | <u>(114,917)</u>          | <u>354,456</u>            |
| <b>Reconciliation of funds</b>                              |             |                            |                           |                           |
| Total funds brought forward                                 |             | 8,636,712                  | 1,408,338                 | 10,045,050                |
| <b>Total funds carried forward</b>                          |             | <u><b>9,106,085</b></u>    | <u><b>1,293,421</b></u>   | <u><b>10,399,506</b></u>  |

**THE WATERSHED ARTS TRUST LIMITED**

England & Wales - Charity number 284188

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# Accounts

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**Watershed Arts Trust Limited**  
**(a company limited by guarantee)**

Report of the Board and consolidated  
financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2021

## Contents

|  |         |
|--|---------|
| Strategic report   | 2 - 18  |
| Trustees' report   | 19 - 21 |
| Independent auditors' report to the members of Watershed Arts Trust Limited (a company limited by guarantee) | 22 - 25 |
| Consolidated statement of financial activities (including an income & expenditure account)                   | 26      |
| Consolidated cash flow statement   | 27      |
| Consolidated and company balance sheets  | 28      |
| Notes  | 29 - 49 |

## Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2021. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, 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) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

## Introduction

### **Watershed produces accessible and inclusive cultural experiences that fire up the imagination and bring people together.**

For most of April 2020 to March 2021, the Watershed building was closed due to covid restrictions, causing business uncertainty and hardship for our staff, audiences, residents and partners. But Watershed itself was far from mothballed, and through the dedication of our staff and the support of our funders, we were able to continue to bring people together in Bristol, across the UK and across the world.

Watershed is one of few truly cross-art form organisations in the UK, demonstrating a track record of innovation and risk taking over 39 years. We are recognised internationally as a leading centre for film culture, art and technology practice, and talent development programmes. Using methods built up from years of online collaboration and creative technologies– during lockdown our programme was able to migrate to the internet, and our support for artists, film makers and young people continued and grew.

So, though the year was marked by much sadness – especially around the redundancies we had to make - there were also highlights and things to celebrate. We used the time to deepen our commitment to inclusion – through programmes like Beyond Boundaries - a free skills development opportunity aimed at individuals under-represented in the cinema sector, and Creative Workforce for the Future which explored how we make the creative industries as representative as the society in which we live.

The Towards Equitable Futures programme sought to work with our communities in new ways, inverting the power dynamics of traditional futuring processes to ensure a fairer, more equitable future. And we began to transform ourselves with the development of an inclusive recruitment process, reimagining each step to create a more accessible and human experience of applying for a job with us.

We continued to develop and deepen our relationships outside of Bristol – from Film Hub’s support for regional cinema to South West Creative Technology Network’s work in Bristol, Bath, Plymouth and Falmouth. And further afield, we deepened our long-standing collaborations in Lagos, Nigeria with a five day online lab for Creative producers, run in partnership with Made Culture.

But however far we travel, we always come back to the ‘shed – whether that’s in MMO form like the incredible Pixelshed made for our spring residencies showcase, or in real life – whenever it was possible to open.

And the consistently positive, engaged and thankful support of our audiences has played a huge part in ensuring that despite a year of lockdowns, togetherness remained a core part of the Watershed offer.

## Strategic report *(continued)*

### Objectives and Activities

Watershed Arts Trust Limited was incorporated in 1982. The charity is established to advance education, skills and appreciation of the arts - primarily working in cultural cinema and creative technology.

Watershed's mission is to develop cultural engagement, imagination and talent. Watershed is recognised for its internationally distinctive programme of invention and talent development; as a leading centre for film culture and as Bristol's city centre cultural meeting and debating place of choice.

The Trustees confirm that they have given regard to the Charity Commission's guidance on public benefit in directing the activities of the charity.

### Achievements and performance

- 0.83 million people visited us on the web
- 23,943 people visited our building
- 5,950 people bought tickets for our venue screenings and events
- We screened 47 film titles, over 270 screenings
- 18,581 people engaged with our online programme
- 2,135 young people engaged with our programme
- 3,597 people engaged with projects beyond the venue
- 160 artists and creatives are resident in the Pervasive Media Studio
- 66 full time equivalent jobs at Watershed
- Watershed Group turnover in 2020/21 is £4,486,707
- Pervasive Media Studio residents reported turnover in excess of £10.8 million
- Pervasive Media Studio residents reported secured research funding in excess of £1.79 million

### Programme Highlights and Report on 2020/21 Priorities –

#### Talent and Networks

##### Young People

Supporting young people at the start of their creative career – especially those currently underrepresented in the sector – feels more important than ever. Despite the huge complications of lock down, for our team and our community, we kept all of our programmes running and took them online.

Creative Workforce for the Future (a partnership between UWE Bristol, Watershed and KWMC, Creative Youth Network, Spike Island and Bristol City Council, funded by the West of England Combined Authority) was a pilot programme to explore how we make the creative industries as representative as the society in which we live. We aimed to do this by creating and fostering inclusive work environments to support our brightest and best young creative talent in the cultural and creative industries through a programme of professional development for companies and paid placements for young people.

Our cohort attended over 25 workshops in labs with professionals, had intensive mentoring and co-designed a support network. They won awards, were published, built a solid peer network and portfolios and made meaningful industry connections. 10 out of 13 have been offered jobs or freelance opportunities through their placements or through other network links with the programme. 57 creative businesses actively engaged with the professional development sessions which included recruitment & culture, connections and networks and difficult conversations about racism. Many of them are now investing time and money in changing some of their processes, addressing inclusion and working out ways to be more representative. We are working on our final report and exploring ways to continue the work.

Rife ran a series of focused commissions, including one for black photographers and poets, offering a platform, financial support and mentoring to young artists. Our annual list '30 under 30' showcased an amazing array of brilliant talent in the city. We also launched Meshworks Newsletter to connect young creatives to relevant professional opportunities across the city.

## Strategic report *(continued)*

### Art and Technology

“Whilst my experience of the studio has so far been 99% online, I’ve been blown away by all of the staff’s commitment and efforts during the past months. I know it’s not been easy at all so it’s really commendable that you can still support the residents in such a comprehensive and compassionate way.” Joe Hill – Pervasive Media Studio resident

The Pervasive Media Studio building has been closed for the majority of the year. We have pivoted our offer into a hybrid model of both online activity and, when government regulations have allowed, access to much needed physical desk space within Studio 5. We have boosted content creation, maintaining our profile as a space that facilitates and encourages conversation on the cutting edges of technology, creativity and all their intersections. Simultaneously, we have supported our residents in pivoting, re-evaluating and sustaining their practices and creative businesses during this unprecedented time with increased business resilience and wellbeing support. As well as responding to urgent need, our Future Themes projects (designed for lockdown) supported seven teams of residents to spend time exploring new ideas at the intersection of technology and culture which we believe will have much wider resonance beyond our current crisis.

We moved Friday Lunchtime Talks online, broadcasting live via Zoom, as well as offering subtitled recordings of the talks available through Watershed’s YouTube Channel. These continue to reach audiences around the world, with total views since March 2020 just shy of 18,000, and 600 new subscribers. Last year’s programme took us on a journey through Social VR, cultured meat, the future of play, Afrofuturism, the 100-year history of the video call and a whole lot more. We now have a growing global community of viewers in 26 different countries, with our most significant audiences existing in the UK, India, France, Japan, and the United States. We have also supported the launch of The Residents - a podcast series exploring tech, arts, economy and health through the lens of community and creativity, produced by Studio residents Will Taylor and Jo Kimber.

While we continued to support our existing community, this period also felt like an opportunity to ask deep and difficult questions about the future. We were successful in a bid to National Lottery’s Community Fund to support *Towards Equitable Futures*, a six month collective imagining project that began in December 2020. Working with Zahra Ash-Harper, Bill Sharpe, Grace Quantock, Rife and the Pervasive Media Studio community we convened a Visioning Group to imagine new ways of doing things and ask; What does progress look like when we challenge the notion of (exploitative) growth and value the creation of (regenerative) depth? What are the community behaviours that welcome difference while bonding us together? How can we act as stewards of our assets (economic, social and cultural capital) while we repurpose them in service to community?

### Film Hub

In its role as Film Hub Lead organisation for the South West as part of the BFI Film Audience Network, Watershed saw a 19% growth in membership in 2020/21 with 211 organisations and admissions of 10,274 for audience facing activity. We pivoted activity online addressing topics such as Hybrid events, Mental Health and Wellbeing sessions and Inclusivity (a total of 444 participants) and launched the [BFI FAN Covid-19 Resilience Fund](#) which proved a lifeline to exhibitors of all sizes.

*“The BFI Resilience Fund is a game changer for The Roses at an incredibly difficult time. As well as ensuring our survival through the next few months, it gives us the staff capacity to innovate our film programme to better serve our communities while the doors are closed, allowing us to reach new audiences and start new conversations around independent film.”* **The Roses Theatre**

We supported Cheltenham International Film Festival [to pivot to an online festival](#), and create [YourScreen](#) (6,314 online admissions).

The Film Hub team also supported a number of organisations in accessing the BFI Culture Recovery Fund.

19 FAN Film Exhibition Fund awards were made supporting a range of audience facing activity in the brief periods of reopening such as Film Bath and online (Slapstick, Stroud Film Festival, and Queer Vision).

## Strategic report (*continued*)

*“The hub has been extremely supportive, in a whole range of ways. Information about government regulation and cinema audiences; distribution and online platforms; changes to the wider industry; offering examples of good practice; as a forum for sharing experience.” Andy Freedman, Stroud Film Festival*

As part of our commitment to inclusion, Beyond Boundaries 360 supported organisations and individuals from backgrounds underrepresented in the industry to further develop their skills and network leading up to activity including [Films in Your Front Room](#), Sheba Soul’s [FLY! Festival](#) and Lorena Pino’s [programming of Trowbridge Townhall Cinema](#).

*“We are dizzy with delight at being able to promote a host of amazing films by BLACK\* women directors - and not the usual suspects. Thank you FAN for allowing us to FLY! a little Higher with the profiles of brilliant BLACK\* women directors.” Akulah Agbami, Sheba Soul Ensemble*

As lead for BFI FAN Comms, Marketing and Audiences, the New Film Releases support was put on hold with the closure of cinemas and developed [The Bigger Picture](#) into a central resource for BFI FAN members with 96 articles published and 27 case studies as well as research findings. We also supported a number of national campaigns such as BIFA’s #ThisIsOurCinema campaign and the digital version of [This Way Up Conference](#) in December 2020.

### BFI NETWORK South West

In April 2020 all our audience facing sector development activity was successfully pivoted online and delivered online via Zoom, Deal Room and other platforms.

In 2020/21:

- 629 individuals engaged in BFI NETWORK South West interactive group based activity that would have been in-person such as our labs, workshops, networking events, 1:1 meetings and filmmaker roundtables.
- 2,006 individuals engaged with BFI NETWORK through online talent development activity such as webinars.
- 17,863 individuals engaged by other activity.

We have had continued festival success with past BFI NETWORK backed shorts with 54 festival invitations and two festival Awards. A particular highlight was *The Thing That Ate The Birds* by Sophie Mair & Dan Gitsham which had its North American premiere at SXSW.

BFI NETWORK, Encounters Film Festival & Watershed (including the Depict short film competition) all teamed up in response to the COVID-19 lockdown to deliver [#shortitout](#), inviting filmmakers of every age and experience level to get involved in filmmaking whilst in lockdown including a series of Filmmaker Front Room Q&A with event partners BAFTA, Channel 4 & Aardman Animations, and guests including writer/directors Ben Wheatley & Desiree Ahkavan with 1,290 tuning in live and 10,262 catching up afterwards.

Other highlights of activity included:

- A New Writers Lab for 8 new or emerging writers or writer/directors
- A New Producers Lab
- We partnered with South-West based production companies Blak Wave & Little by Little Films to design [New Voices](#); a new talent development opportunity providing [14 aspiring South West based filmmakers](#) looking to develop five-minute short film ideas that provide fresh and authentic perspectives with a focus on those that are underrepresented in the screen industries.
- We collaborated with Untamed Stories on our Press Reset Inclusion Panel, which was in response to the Press Reset campaign from BFI involving D/deaf and Disabled filmmakers, Stephanie Castelete-Tyrrell, David Ellington and Zosia Feher to speak about the impact COVID-19 has had on the community and their vision for the future.
- A new partnership with Bristol Pride’s film programme Queer Vision and Iris Prize to host an online networking event at Encounters Film Festival for LGBTQIA+ filmmakers from across the UK.

In 2020/21 we commissioned 7 short film projects via our Short Film Funding. We also backed *Know the Grass* by Sophie Littman (writer/director) and Lorine Plagnol (producer) and *Rapture* by Lydia Rynne (writer), Laura Jackson

## Strategic report (*continued*)

(producer) and Emily Smith (director), which are not included in the list above as were commissioned outside that window.

We supported 6 feature film projects through our Early Development Funding from initial concept to treatment including *Hungry Joe* with writer/directors Paul Holbrook & Same Dawe (Paul Holbrook was previously commissioned for BFI NETWORK for his short film *Shiney*).

### **Cinema**

The cinema programme has, like all of society, been shaped by the impacts of Covid19. This has involved many frustrations but also learnings and new possibilities of engaging the audience. Immediately following lockdown in April we were approached by online platforms who we have existing relationship with to partner in programming. These are MUBI, Curzon on Demand and BFI Player. MUBI offered our newsletter subscribers 90 days free; Curzon on Demand and BFI Player gave a % discount. With BFI Player we curated a Watershed page with a range of films which have a connection with our programme or with the city.

We worked with distributors to connect our audience with new releases online and offering % off to Watershed audiences. Increasingly distributors are evolving a model of a split % with Watershed for audiences that we drive to new releases. We will get a % of all sales coming from Watershed newsletter subscribers. We continued to promote films through our BFI Player partnership which have a connection with our cultural programme or Bristol.

The focus in the initial reopening was to put together a cinema programme which would speak to our core cultural values whilst achieving revised financial targets. In the selection of opening films, "Films that Love the Cinema (and love to be seen in the cinema)", we wanted to celebrate the essential cinematic nature and experience of some of the films we had or were due to screen before the pandemic. These films also reflected partnerships that are core to Watershed's cultural programme eg Barry Jenkins' *MOONLIGHT: Pride LGBTQ+ & Come the Revolution*; Billy Wilder's *SUNSET BOULEVARD: South West Silents & Cinema Rediscovered*; whilst also opening new films in Bristol like *LES MISERABLES*. Distributors in this reopening period were supportive of Watershed (and the wider sector in general) and have given us some of these films on very generous financial terms.

The independent sector broadly shared the same approach of opening later in the summer or September to give more time to prepare for re-opening compared with the commercial mainstream. Discussions with independent/smaller distributors reassured that there would be good quality films to open with.

The relationship between in-venue and virtual cinema was explored more through the release of Aki Omoshaybi's debut feature film *Real*. We hosted a virtual preview followed by online Q&A then opened the film at Watershed before moving it to virtual post theatrical run. We collaborated with BFI NETWORK South West to invite filmmakers/creatives through organisations like Cables & Cameras, Blak Wave to the preview/Q&A.

Conversations About Cinema: Thought in Action, our partnership with UWE Philosophy Dept and MUBI delivered 5 events exploring post-colonialism through film. This has been an innovative new partnership taking online that deeper engagement with film through discussion. Watershed Cinema Curator and UWE staff and students curated the season, UWE provide the speakers, MUBI allowed access to their online archive. We have had speakers from Berlin, Portugal and Italy, and audiences have attended from Mexico City, Buenos Aries, Martinique, Paris and Burnley.

### **Innovation**

Watershed are a producing partner on Bristol+Bath Creative R+D and the South West Creative Technology Network (SWCTN, recently completed). As the Covid-19 pandemic has had a devastating effect on small creative businesses, the new challenge of delivering our research and development programmes online accelerated our team learning around hybrid working, accessibility and what was needed in terms of support now as well as for a regenerative future.

## Strategic report *(continued)*

Both programmes have produced ground breaking work during this period; exploring questions of data bias, hope and power in public spaces, expanding our understanding of the role of culture in the new digital infrastructure and working with the theatre and music sectors to interrogate concepts of liveness and togetherness.

SWCTN was a £6.6 million research and development (R&D) project funded by Research England to increase collaborative innovations between universities and industry in the use of creative technologies. It was a regional partnership between four universities (UWE Bristol, Bath Spa University, Falmouth University, University of Plymouth) ourselves and Kaleider Studios. We produced three creative technology R&D themes through funded cohorts over three years: IMMERSION, AUTOMATION and DATA. Our network was made up of 630 members: a rich mix of researchers, artists, technologists, businesses and practitioners from across the region, representing varied disciplines and industries. We cultivated a diverse network, prototyped ideas and supported new businesses committed to quadruple bottom line impacts - social, cultural, environmental and economic. Our work strengthened regional productivity – generating over £7.5 million of additional income for the region through innovation and creating 22 new businesses. We have built knowledge of environmentally sustainable and inclusive practices to increase business resilience and ethical creative technology development.

Container is a new online magazine that puts the spotlight on the people and processes behind creative technology and provides a platform for voices outside the mainstream. For years, technology in the media has tended to be approached through techno-heroic stories of the successful individual, big technology and corporate gain. Container seeks to redress the balance and raise up a multiplicity of voices - ones that question, dissent and explore. Container is a project of Bristol + Bath Creative R+D and SWCTN, building on the long-term collaboration between Watershed's Pervasive Media Studio and UWE Bristol's Creative Economies Lab.

### **Environment**

In October 2020, Watershed created a new post of Environmental Emergencies Action Researcher. Funded by Bristol and Bath Creative R+D, the role was designed to work with Watershed's own environmental sustainability group and with creative institutions, SMEs, businesses and freelancers to explore and co-develop a framework for climate action. They began their work with a period of desk-based research and interviews into sector best practice, alongside networking across the city (and wider) to build a shared approach.

In February 2021, we announced the recipients of our Spring Residencies programme, which were designed to support ideas exploring environmental emergencies, technology and possible futures. Lukus Robbins will create artistic interventions exploring the symbiotic ecosystems within soil and Katy Connor will create a speculative arts project exploring the practice of hydroponics: the art of growing plants in a chemical solution, without the use of soil.

### **Audiences**

*"Always leading the way with inclusive and heart bursting comms... you are one of those venues where you see seemingly simple things and end up coming home with a bigger to do list because of it."*

As outlined above in the earlier sections it's important to acknowledge that we have found ourselves in a very different and uncertain operating environment throughout this entire year which has of course had a huge impact on how we have approached our marketing and communications to engage our audiences.

Our external communications objectives over this past year can be summed up as follows:

- To keep our audiences engaged and feel part of Watershed
- To be available for our audiences
- To demonstrate that we are people behind the brand and that we care about our audiences
- To be there for our stakeholders and audiences especially when the building has been shut
- To be consistent, regular, present and relevant
- To be fun
- To bring our audiences with us for the times when we can re-open
- To raise funding support

## **Strategic report** *(continued)*

With care and consideration we have kept in constant and regular touch with all our audiences. Talking to them, listening to them, asking them for their help (research, surveys), asking them for support and for their opinions and putting their safety and comfort at the forefront of every decision. Because of this approach and the understanding and intelligence we have garnered we have confidence that audiences have an appetite and desire to return and engage with our programme and offer, which has been validated during the periods we have been open.

Most of our focus over the period up to our re-opening in September 2020 was the planning, design, creative production, and execution of all of our reopening communications.

### **Audience Demand**

Audiences responded positively when we reopened in September 2020, with 30% of screenings on average selling out.

The make-up of our audience was noticeably affected by the pandemic – monitoring audience trends weekly box office analysis showed us a decline in the % of our Over 60s audiences, and an increase in the % of our 16 – 30 year old audiences, which reflected the social trends at the time.

October 2020 saw us host our first external season (London Film Festival on tour) since re-opening which acted as a catalyst for many audiences to return – seeing 80% of its audience coming to Watershed for the first time since the March lockdown, or returning to Watershed after at least a year of not attending.

*"I was so impressed by how Watershed have managed the reopening and I'm so glad I can incorporate visits to the Watershed into my weekly routine again!"*

Building on the clear demand for cinemas during our opening weeks in September and to help build business and momentum in the Café/Bar we re-introduced cinema screenings on Wednesdays from early October and Ciné bites (our food and film offer) from Wed 14 Oct. There was a steady increase building every week – but sadly lockdown in early November stopped us in our tracks.

When Bristol was moved from Tier 3 to Tier 2 after some consideration and in response to audience demand we made the decision to open for five days before Christmas.

We screened three titles for the five days we were open, admissions were 713 at 75% occupancy.

*"This gem of a building and all who work in it is the Christmas treat you need. Their Covid regulations are spot on. Their staff are brilliant and their cinema programming is bang on the money. Cinema at its best. Bravo @wshed"*

This data and feedback gives us confidence going forward.

### **International**

September 2020 saw the launch of the final report for Creative Producers International - a Watershed project which gathered together a dynamic network of creative producers from across the world with the aim to enhance individual practices, raise ambitions and make real change across the world on a city scale. It was a fascinating set of conversations that brought together producers and researchers from Bristol and Liverpool, Mexico City and even the back of a cab stuck in Lagos traffic. Produced in partnership with the Creative Economies Research Lab at UWE Bristol, the report codifies the work of the three-year programme, offers critical reflection on the role of the Creative Producer in cities across the world, and shares tools and case studies that we hope others will use and learn from. The report is available as a microsite, where you can also download all the content as a PDF. <https://www.watershed.co.uk/cpi/>

## Strategic report (*continued*)

In March 2021 we invited 12 Lagos-based Creative Producers to participate in a 5-day online lab run in partnership between Watershed and Made Culture, a company founded by Malaika Toyo, one of our Creative Producers International cohort. The Lab was funded by British Council and seeded a network of Lagos-based producers working across theatre, film, festivals, visual art, radio, design and fashion. Through the lab we delivered a series of workshops exploring creative producing skills which offers a replicable model for international work that we hope to take forward.

### People

Our priorities last year set out a renewed focus on Watershed's people, which remained true for the year, with an additional focus on wellbeing and capacity resulting from the pandemic.

In addition we increased our commitment to organisational inclusion, understanding that for it to become truly embedded, it needed to move from strategy to practice. In June 2020 we produced a set of commitments that all staff signed up to and in March 2021 we appointed Aisha Thomas and Katie Donovan-Adekanmbi as Inclusion Associates to work with us on training staff and developing departmental inclusion plans and targets. These are due to be completed in December 2021.

The HR needs of the pandemic means we are behind on our priority to deliver a new people strategy, but have developed significant building blocks, including new inclusive recruitment processes.

During this period, we were unable to agree a financial plan to meet Living Wage, as the uncertainty of the pandemic made any planning difficult, however we subsequently implemented Real Living Wage in Watershed in May 2021.

### Capital development

Whilst securing funding and permissions for phase 1 of Watershed's capital development was a priority for the year, this was put on hold due to the uncertainty of the pandemic and the lack of staff capacity. During the year we had hoped to complete fundraising and tender a fourth cinema screen, a ground floor servery and gender-neutral top foyer toilets. These plans will be re-visited in 2021/22.

### Monitoring and Evaluation

A thorough organisational approach to evaluation, data collection and analysis gives us in-depth knowledge of our audiences, and was key to our data-driven response to the evolving business context throughout 2020/2021.

We utilised surveys and engagement through social media to gauge audience feeling about returning to Watershed after lockdown – with response rates exceeding our expectations (1500 responses to our May 2020 survey, and 700 to our March 2021 survey).

We also continued to monitor audience demographics through box office analysis and audience surveys – both demonstrating how the pandemic had affected the demographic of our audiences.

In Autumn 2020 we set up an inclusive data working group to specifically work on the area of how we collect and use inclusion data within the organisation. The group comprised staff from across the organisation dedicating time to thoughtful work focusing on;

- **how we ask questions;** including researching best practice from across the arts, culture, academic and government sectors.
- **what language we use;** acknowledging the impact that language can have in promoting an inclusive workplace and culture, again by researching and referencing best practice and with the aim to make the language we use as accessible as possible
- **how we analyse and present the data;** acknowledging the potential for bias in the presentation and interpretation of data, with an aim to make the data as transparent and equitable as possible.

## **Strategic report** *(continued)*

The outcome of this work has resulted in:

- The review and development of a template for more inclusive language for our surveys for audiences, staff and participants
- Developing a framework that saw us move away from measuring ourselves against demographic benchmarks to understanding the intersectional Balance (representation) of staff within our organisation and how people's identities affect their experience of working with us (Belonging).

### **Finance**

The objective for the 2020/21 financial year was to review the Watershed finance provision, including the workflow and structure of the team. Due to the substantial requirements for financial modelling and control during the pandemic, priorities shifted to maintaining financial viability in the short term. This will be an ongoing priority carried over into the 2021/22 financial year, under a new Head of Finance.

### **Business Development**

Whilst the pandemic has been tough on our people and resources, we have sought to embrace change and have used the time wisely, to reflect on where we have been and dream beyond recovery. Business development has focussed on remodelling to respond to changing covid contexts, creating online projects and programmes, and establishing new ventures like Undershed – our new outside bar.

We have developed our resilience with an approach that turns up and turns down the different elements of our business, refocusing resources and attention as the pandemic ebbs and flows. Our new Business Plan - An Operating Manual for Uncertainty was delivered in March 2021, and we advertised for a new permanent Development Manager to lead on fundraising strategy on Feb 2021.

Our work on Watershed's brand remains on pause as we reconfigure our model and capacity and prepare for Watershed 40 – and a deeper explanation of what we are for.

## **2021 - 2022 Organisational Priorities**

Covid has shaken our model, our staff and our community and we need time to recover, reflect and rebuild. The focus for this year is getting our building-based activity back on track, so we have sought to create a list of achievable and meaningful priorities:

People Strategy: ongoing 2021/2022. To reflect our values and build an inclusive working culture. It will cover recruitment, training, inductions and performance management.

Departmental Inclusion Plans and training: initial training and work by our Associates with each department to deliver clear plan and targets.

Watershed Forty: a year long programme started in June 21. Building in the methodology and learnings of Equitable Futures, Watershed 40 is a cross-departmental exploration of our relevance, vision and values leading up to our birthday on June 2022, when we would like to re-launch Watershed for the next 40 years. Programme strands will be designed with board and staff to inform learning and possibility.

Membership scheme: benchmark and design a paid-for scheme for Watershed audiences to bring in new revenue, without compromising inclusion.

Climate Justice: Re-start Watershed's Environmental Sustainability Group centred around the Climate Justice action research we are undertaking through Bristol and Bath Creative R&D. Deliver a measurable and ambitious plan for Watershed's response to climate change. Identify an executive team and Board lead for our work on Climate justice and environmental sustainability.

## Strategic report *(continued)*

Fundraising strategy: work with a new Development manager to create a fundraising strategy for Watershed that is centred on increasing unrestricted funding.

Systems review: identification of the funding to implement new software and systems to maintain efficiency and support workflow across finance, box office, events and in our application processes.

## Risk Management

Effective risk management is crucial to Watershed thriving in the changeable environment in which it operates. Watershed's risk management strategy ensures that the organisation can:

- Maintain a resilient, flexible and viable operation
- Make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

Watershed's risk register identifies the key areas of risk the business faces, assesses the indicators, likelihood and impact of those risks and identifies the actions required in order to mitigate them should they arise.

The risk register is created and regularly reviewed by the Board and the Executive team.

Watershed's risk management strategy involves maintaining:

- Procedures to ensure early detection of identified and emergent risks
- Regular monitoring of key performance indicators across the organisation
- Procedures to effectively mitigate identified risks
- Procedures to minimise the impact on the organisation should identified risks materialise

The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register. Watershed's assessment of risk has been reviewed in light of the Coronavirus pandemic.

## Financial review

### Overview

The consolidated results set out on page 26 show a surplus of £354,456 for the year (2020: surplus of £2,069,470). The surplus on unrestricted funds for the year totalled £469,373 (2020: surplus of £2,133,979). The comparative result for the year ended 31 March 2020 is due to the gain on re-valuation of the head lease in July 2019 and a subsequent change in accounting treatment. Further details are provided in notes 1 and 20.

The surplus for the year ending 31 March 2021 is mostly attributable to the receipt of a grant totalling £731,993 from the Arts Council Recovery fund in the year, of which £33,333 has been deferred into 2021/22. The award was made to support the Watershed Group during the COVID pandemic and enable it to reflate reserves and undertake specific areas of programme activity and business development. The Award has been split between the Arts Trust (£631,993) and the Trading company (£100,000 less £33,333 deferred).

Some of the surplus is attributable to timing differences between the recognition of income and expenditure in respect of individual areas of activity supported by restricted programme funds, specifically Film Hub activity, the Clusters programme and activities supported by ACE Cultural Recovery funds.

Overall, designated funds which support the creative programme have decreased by £25,447.

### Subsidiary Company Results –

The charity's wholly owned subsidiary, **Watershed Trading Limited**, continued to operate Watershed's café/bar and conference facilities.

## **Strategic report** *(continued)*

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust, and form a key part of the Watershed offer as a whole, providing a welcoming, open and inclusive meeting place for all to enjoy.

Because of the pandemic and the closure of our hospitality offer, Watershed Trading Limited generated losses before tax of £202,726 (2020: profit of £33,255). No donations were made through gift aid to the Charity, based upon the previous year's trading (2020: £166,609).

The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £88,245 (2020: £1,236,936).
- Conference sales generated £10,394 (2020: £503,621).

The charity's wholly owned subsidiary, Watershed Ventures CIC, supports the development of talent, providing support to explore the potential of new technologies, and undertakes projects to promote collaboration between artists and the creative industries.

In the year, Watershed Ventures CIC made no donations (2020: £nil) through gift aid to the Charity and generated a loss before tax of £1,165 (2020: loss of £1,571) and total revenue of £nil (2020: £3).

No activity was undertaken by Watershed Ventures CIC in 2020/21 and no activity is currently planned for the 2021/22 financial year.

### **Operating model**

The operating environment in which Watershed operates is both complex and volatile. Watershed's operating model is underpinned by a diverse range of income streams and is designed to enable Watershed to adapt to changing circumstances and maximise opportunities, providing both flexibility and resilience.

### **Cost efficiency**

Watershed actively seeks to ensure value for money whilst maintaining quality. Overhead and administration costs are reviewed annually as part of the budgeting process. Systems and processes are regularly reviewed to enable efficiency savings to be made wherever possible, ensuring a streamlined and cost-effective operation.

Key contracts are put out to tender as deemed appropriate and suppliers are carefully selected to balance quality and cost.

### **Financial monitoring and control**

Watershed's rigorous financial systems enable early detection of potential problems allowing actions to be taken to mitigate any likely impact in a timely manner, including:

- A careful and prudent budgeting process, led by the Head of Finance and engaging key budget holders, to ensure that financial targets (income and costs) are realistic and achievable.
- Production of monthly management accounts to assess overall Group performance against budget.
- Weekly and monthly sales reports ensure that progress against sales targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take.
- Financial performance is reviewed regularly by Watershed's Executive team and quarterly by Watershed's Finance Sub-Group and Board.
- The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.
- Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis.

## **Strategic report** *(continued)*

Watershed's income portfolio includes:

### **Programme Funds**

Programme funds received through partnership agreements, restricted project grants and contracts for services account for the most significant percentage of Watershed's income (37% in 2020/21).

Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2020/21 programme funds totalled £1.675 million.

Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

### **Unrestricted Grants**

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council (as a Key Arts Provider). Although these funds account for a relatively small portion of Group turnover (18%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer. 2020/21 is the third year of renewed 4-year relationships with both funders with Bristol City Council already having confirmed that the funding will be extended to March 2023 and an application for a one year extension for Arts Council England was submitted in September 2021 for the 2022/23 financial year.

Watershed constantly seeks to minimise its reliance on public subsidy by actively working to maximise existing income streams and develop new ones.

### **General Fundraising**

In the 2020/21 financial year Watershed secured £35,628 (2020: £92,383) from fundraising through individual giving and private sponsorship.

### **Commercial sales - Café/bar and Conference**

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 2% of Group turnover in 2020/21, compared to 30% in 2019/20, but was significantly affected by COVID-19 and the forced closure of the building for the majority of the financial year.

The café/bar forms the social heart of the organisation and would normally provide a financial contribution but due to the forced closure, has made a loss in 2020/21. The café/bar, when opened, provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values.

Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Watershed intends to further develop their broadcasting package, originally unveiled in 2019/20, but was put on hold due to COVID-19, to provide clients with a professional, high spec on-line experience for conference delegates. This will be developed further in the coming year as the ability to meet and communicate virtually becomes increasingly important.

## **Strategic report** *(continued)*

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme. This has been curtailed in 2020/21 due to COVID-19. Watershed strives to maintain a fine balance between generating commercial profits and supporting the creative outputs of the Arts Trust.

### **Cinema sales**

Cinema ticket sales accounted for 1% of Group turnover in 2020/21, compared to 16% of Group turnover in 2019/20. Performance in the year was significantly affected by COVID-19, which continued into 2021/22 due to government restrictions. In a full normal year of operating, we forecast that this proportion will return to pre-COVID19 levels.

Watershed considers and balances the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged.

Although ticket prices were increased in February 2020, due to the enforced closure of the building throughout the majority on 2020/21, Watershed has not yet seen the effect of increased income or admissions. The increase was implemented to reflect trends across the cinema sector and increased delivery costs. In line with our pricing policy, concessionary tickets for the under 24s were excluded from the increase to encourage younger audience members and build audiences for the future.

### **Property Income**

Rental income received from Watershed's head lease tenancies continue to be applied to the charitable objectives of the Arts Trust.

In the year, Watershed negotiated temporary rent concessions due to financial pressures experienced by tenants and to enable them to manage their own cash flow and business survival.

Watershed's Studio 5 co-working space (established in 2018/19) usually houses several small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate. This was limited by the COVID-19 restrictions as Studio 5 remained closed for the majority of 2020/21.

The impact of COVID-19 on these income streams and on Watershed's business as a whole is further explained in the Coronavirus Impact section below.

## **Coronavirus (COVID-19) Pandemic**

### **COVID-19 impact**

The unprecedented situation caused by COVID-19 has challenged Watershed's risk management strategy to the full.

Watershed was thriving before lockdown. Every part of our business was growing, with cinema sales in February 2020 the highest ever on record. We had begun a capital expansion programme (Phase 1 was a new cinema/café bar, Phase 2 was extended innovation spaces) to meet rising demand and capitalise on financial opportunity.

When we shut the building to the public on 17 March 2020, 46% of our trading income was immediately curtailed through the loss of sales from the Café/bar, Conferencing and Cinema (including cinema advertising revenue). In 2019/20 these sales totalled approximately £2.7 million.

In the period 1 April 2020 to 31 March 2021 sales from these sources have decrease to approximately £140,000 as a result of enforced closures during the year. Watershed remained closed from April 2020 to the end of August 2020 and was again forced to close its doors from 5 November 2020, re-opening for a short period during December 2020. Watershed did not open again in the 2020/21 financial year and partially re-opened, subject to government restrictions, on 18 May 2021.

We also experienced a reduction in revenue from our head lease tenancies due to the inability of café/bars occupying these to fully meet their lease obligations. We have reached individual agreements with our tenants to grant temporary concessions over the amount and timing of rental payments due for the 2020/21 financial year. As a result, we experienced a 30% reduction in income associated with head lease tenancies.

## Strategic report *(continued)*

A further rent concession was provided to tenants in quarter 1 of 2021/22. We continue to monitor and engage with our tenants to gauge the likelihood of further requests for concessions or failure to meet agreed payment arrangements and the impact this may have on our budget and cash flow position going forward.

However, core funding from Arts Council England and Bristol City Council continued as did our project funding for areas of our creative programme such as Creative Workforce for the Future, Bristol+Bath Creative R&D and the South West Technology Network. Watershed's technical resource and expertise enabled these activities to continue throughout lockdown operating in a digital environment.

### COVID-19 risk mitigation

Without taking any measures, Watershed would have become insolvent by August 2020. However, a swift response by Watershed's Trustees and Executive ensured that Watershed remained viable in the short term and subsequent strategies actioned ensure that Watershed remains a viable concern.

Measures taken to mitigate the immediate impact were:

- Furloughing of 88 staff who were unable to work from home supported by the Government job retention scheme
- Implementing a 20% pay cut for all staff from 4 May 2020 to 1 Sept 2020. Our Chief Executive Officer took a pay cut of 30%
- A review of our staffing levels and potential staffing needs going forward. This resulted in a redundancy process and organisational restructuring (necessitating the loss of 35 posts)
- Pausing the tendering of our Phase 1 works and the application for planning consent for Phase 2 capital expansion works

As a contingency, Watershed's Trading Company successfully applied for a £200,000 CBILS loan. The loan is intended to support commercial activity only and is seen by the Board as a high risk short term survival strategy given current conditions. The Board has accepted the loan, which is not under guarantee by the Charity. The funds are held in a separate reserve account and is currently unused. Watershed has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

These measures ensured the liquidity of the operation during periods of the government lockdown and enabled us to develop our plans for re-opening under changed circumstances and develop our strategic thinking for a longer term adaptation to an increasingly volatile operating environment.

### Re-opening

Watershed initially re-opened its doors to the public on 1 September 2020. Our re-opening model was put together by a cross-departmental team informed by audience and staff surveys, government guidelines and industry best practice to create the most financially efficient and safe model.

New social distancing requirements have had a massive impact on Watershed's ability to generate earned income from cinema ticket sales, café/bar sales and conferencing. These sales accounted for 46% of our income in 2019/20 but has only accounted for 3% in 2020/21.

To mitigate risk and remain a going concern Watershed has had to make substantial changes to its operations.

- **Building opening hours:** Access to the public has been reduced from 7 days a week to 6. Watershed's building is now closed on a Monday.
- **Cinema:** Social distancing measures introduced in September 2020 have reduced cinema capacity from 340 seats across the 3 screens to an average of 93 seats. To mitigate the risk of losing money on individual screenings, cinema opening hours are reduced from 7 days a week to 4 (open Thursday to Sunday). There was another enforced closure from 5 November 2020 to 17 May 2021. Income in 2020/21 represented 5% of our income from cinema ticket sales in 2019/20 (£41,389 compared to £894,810). Financial losses were mitigated by a staff restructuring which has resulted in a significant reduction in staff costs, and by utilising the government furlough scheme. On re-opening from 18 May 2021, the cinema was open 5 days a week, 6 screenings per day (Wednesday to Sunday) at 25% capacity. In July 2021, this increased to 50% capacity and in August 2021, an additional 3 screenings were added to Friday to Sunday.

## Strategic report *(continued)*

- **Creative Programme:** we continue to deliver our funded sector/talent development programmes – including the Pervasive Media Studio, Film Hub SW, Bristol and Bath Creative Clusters, South West Technology Network and Rife - ensuring that freelancers/creatives continue to receive support. We have secured new funding to explore environmental sustainability and to undertake an inclusive futuring programme. We are working with UWE to establish a research programme into accessible hybrid venues of the future.
- **Café/bar:** Social distancing measures introduced in September 2020 reduced café/bar capacity significantly. To make the café/bar a viable proposition we introduced an online ordering system, reduced menu options, restructured our staffing to reduce costs and utilised the government furlough scheme. Income in 2020/21 represented 7% of our income from café/bar in 2019/20 (£88,245 compared to £1,263,936). In addition we have taken the decision to close the building on a Monday, usually our quietest day of the week.
- **Conferencing and Events:** Income in 2020/21 represented 2% of our income from events and conferences in 2019/20 (£10,394 compared to £503,621). During this time, we continued to promote our “Live from Watershed” online events package to boost our capacity to generate sales virtually.
- **Fundraising:** We continue to seek additional funds through government and other grants, Trusts and Foundations and individual giving to secure our future. A Fundraising Manager was appointed in April 2021 to develop and implement a fundraising strategy. This represented £35,628 in 2020/21.

In October 2020, Watershed received confirmation of a £731,993 grant from the Arts Council’s Cultural Recovery Fund (of which £33,333 was deferred into 2021/22). A further £215,713 grant from the second tranche of the Arts Council Cultural Recovery Fund was awarded in 2021/22. These funds provide Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Social distancing restrictions were lifted in July 2021 and our cinema, café/bar and events business has returned at reduced capacity levels as our base assumption errs on the side of caution to the end of the 2021/22 financial year. Watershed Board and Executive continue to monitor alternative scenarios and financial modelling, to make changes where appropriate.

Budget and cashflow forecasts as at February 2021 and reforecasting at September 2021 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21, 2021/22 and 2022/23 financial years to continue operating without impediment. Reserves at the end of 2020/21 were £1,456,085, (£986,712 2019/20). This increase was mainly due to the Arts Council Cultural Recovery Fund.

The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed’s Trustees.

## Future Resilience

Over the last 10 years, Watershed has grown considerably in terms of size, turn over and scale. In November 2019 we had completed a thorough review of Watershed’s systems, processes and workflows and identified the need to make considerable investment – as much of our systems were over a decade old, barely now fit for purpose and with little integration between systems. Covid has made things worse – whereas previously we were covering and patching the holes in our workflow with manual processes, we now have less staff to paper over the cracks, finances are stretched and we have a new hybrid operating environment.

We had begun a period of planning and fundraising to resource the necessary systems change, but that was stalled by the pandemic. We have now identified internal funding and over the next year we will urgently continue this development work and be implementing as much as funding and capacity will allow. This work will focus on our financial systems, processes and control to ensure make them work more efficiently, and workflows to improve efficiency and user experience across key business areas.

## Strategic report *(continued)*

Our mixed business model has been the source of Watershed's financial resilience, but also means that we are highly leveraged – each area of the business contributes to the viability of the others and there is no clear area of business reduction or change we could immediately take advantage of without significant remodelling. Over the next 6 months we will undertake a business review to refine our model, create a new membership scheme and explore hybrid international collaboration models with development costs factored into the budget.

## Reserves policy

Watershed's reserves policy was last reviewed in light of the Coronavirus pandemic at a meeting of the Trustees in June 2021.

### Overview

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate existing financial challenges and manage unforeseen financial challenges, with the ability to invest in its future.

In establishing the level of reserves appropriate to its business, Watershed has considered:

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

### Our Reserves

Our reserves are split into the following funds:

#### General Fund

The General Fund is to ensure that Watershed has the funds to meet its obligations in the event of a loss of income.

Given the level of risk and uncertainty due to COVID-19 and its impact, especially on Watershed Trading Limited, the Trustees took the decision to review the reserves policy to allow more time to respond to any changes in operational and financial circumstances. In 2020/21, Watershed Trustees increased the general reserves target from 2 to 3 months of Group operating costs, which amounts to £850,000. On 31 March 2021, Watershed's General Fund was £1,058,008, which will reduce over the 2021/22 financial year as losses and deficits accumulate as a result of COVID-19.

The experience of lockdown suggests the General Fund target could be higher to support a longer period of trading should the effects of COVID-19 or other risks continue to be felt. However, Watershed does not currently have the ability to generate a higher reserve than has currently been set, and the ownership of the building provides Watershed with added security against significant losses. The General Fund target will be regularly reviewed by Trustees.

#### Bristol + (Building Fund)

The Bristol + (to be renamed Building Fund in 2021/22) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

The level of reserves currently held in Bristol + at £244,717 is deemed appropriate. Pre-COVID-19, this fund was used to underwrite the costs of Watershed's planned capital development whilst fundraising for the project was/is ongoing. This development is on pause whilst the business is stabilised due to COVID-19 but the goal is to create a model which is more resilient and sustainable, both financially and environmentally, once the capital development is completed.

## Strategic report *(continued)*

### Designated Funds

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds. This policy is reviewed annually and was last reviewed by Trustees in May 2020 and will be looked at again in June 2022.

As at 31 March 2021, Watershed's reserves comprise\*:

|                               |                    |
|-------------------------------|--------------------|
| General fund                  | £ 1,058,008        |
| Designated fund – Bristol +   | £ 244,717          |
| Rife designated fund          | £ 14,662           |
| Film Hub designated fund      | £ 68,849           |
| Clusters designated fund      | £ 35,539           |
| <u>ACE CRF designate fund</u> | <u>£ 34,310</u>    |
| <b>Total</b>                  | <b>£ 1,456,085</b> |

*\*note – net current assets available at 31 March 2021 stand at £1,153,005*

Following the revaluation of the head lease in July 2019, accumulated depreciation charges have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment.

The new head lease valuation of £7,650,000 is represented as:

|                            |                   |
|----------------------------|-------------------|
| Head lease designated fund | £5,504,856        |
| Capital designated fund    | £ 709,544         |
| Revaluation reserve        | <u>£1,435,600</u> |
| <b>Total</b>               | <b>£7,650,000</b> |

These funds represent a tangible fixed asset from which Watershed operates, which are fundamental to the delivery of the business plan. They are therefore not included in Watershed's reserves.

## **Trustees' report**

### **Structure, governance and management**

Watershed is structured as a group of three companies, the parent company Watershed Arts Trust Limited and two wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality and Watershed Ventures is a CIC which we are not currently delivering any activity through - it is envisaged it will become the vehicle to support companies resident within the expanded building.

Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

The Board, which administers the Charity, meets five times a year. Potential members are invited to attend Board meetings as observers for a short period of time. In due course official appointment is made by serving members if deemed appropriate. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance. Watershed's Board of Trustees are volunteers and receive no remuneration.

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations.

## **Trustees' report** *(continued)*

### **Statement of responsibilities of the Trustees of Watershed Arts Trust Limited in respect of the Board of Trustees report and the financial statements**

The Trustees, who are also directors of the charitable company for the purposes of company law, are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 its activities.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its 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.

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

### **Reference and administrative details**

Watershed Arts Trust Limited was incorporated as a company limited by guarantee on 19 January 1982. The company was registered with the charity commission on 18 March 1982. The wholly owned subsidiary Watershed Trading Limited was incorporated on 12 March 1982. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

The members of the Board of Trustees who served during the year and post year end and who constitute directors for Companies Act purposes are listed below.

#### **Trustees**

J. Touzel (Chair)

P. Appleby

D. Bunyan

S. Cooper

J. Durrant

S. Eugene-Hart

P. Gardener

L. Gardner

S. Gatfield

S. Lovegrove (resigned 15 June 2021)

S. Wilson (resigned 26 June 2021)

J. Roscoe

## Trustees' report *(continued)*

**Secretary:** Lisa Gardner  
**Chief Executive Officer:** Clare Reddington  
**Charity number:** 284188  
**Company number:** 01608779  
**Registered Office:** 1 Canon's Road, Harbourside, Bristol, BS1 5TX  
**Auditors:** Saffery Champness LLP, St. Catherines Court, Berkeley Place, Clifton, Bristol, BS8 1BQ  
**Bankers:** HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA  
**Solicitors:** TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP

### Disclosure of information to auditors

The Trustees who held office at the date of approval of this Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware; and each Trustee has taken all the steps that he/ she ought to have taken as a Trustee to make himself/ herself aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

### Auditors

Watershed's Board of Trustees re-appointed auditors Saffery Champness LLP at its Board meeting held on

Date:- 8<sup>th</sup> December 2021

By order of the Board



**J Touzel**  
*Chair of the Board*

1 Canon's Road  
Bristol  
BS1 5TX

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee)**

### **Opinion**

We have audited the financial statements of Watershed Arts Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, 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, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2021 and of the group's 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 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 group and parent charitable 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**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

### **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 Trustees' Annual Report which includes the Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report which includes the Strategic Report.

We have nothing to report in respect of the following matters where 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 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.

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also directors of the charitable company for the purposes of company law) 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 group and the parent charitable 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 group or charitable company or to cease operations, or have no realistic alternative to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sectors in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Independent auditors' report to the members and Trustees of Watershed Arts Trust Limited (a company limited by guarantee) (continued)**

**Use of our report**

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditors' 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 parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Michael Strong (Senior Statutory Auditor)  
For and on behalf of Saffery Champness LLP

|                        |                      |
|------------------------|----------------------|
| Chartered Accountants  | St Catherine's Court |
| Statutory Auditors     | Berkeley Place       |
|                        | Clifton, Bristol     |
| Date: 21 December 2021 | BS8 1BQ              |

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Consolidated statement of financial activities (including an income & expenditure account)

for the year ended 31 March 2021

|   | <i>Note</i> | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total Funds<br/>2021<br/>£</b> | <b>Total Funds<br/>2020<br/>£</b> |
|---|-------------|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Income</b>   |             |                                     |                                   |                                   |                                   |
| <b>Voluntary income</b>                                     |             |                                     |                                   |                                   |                                   |
| <i>Donations and legacies</i>                               |             |                                     |                                   |                                   |                                   |
| Individual giving   |             | 35,628                              | -                                 | 35,628                            | 92,383                            |
| Donated services  |             | 6,141                               | -                                 | 6,141                             | 28,003                            |
| Regular grant funding                                       | 4           | 812,384                             | -                                 | 812,384                           | 812,289                           |
| Arts Council England Cultural Recovery Grant                | 4           | 587,977                             | 110,683                           | 698,660                           | -                                 |
| <i>Other trading activities</i>                             |             |                                     |                                   |                                   |                                   |
| Commercial trading operations                               | 6/7         | 100,833                             | -                                 | 100,833                           | 1,814,197                         |
| <i>Investment income</i>                                    |             |                                     |                                   |                                   |                                   |
| Interest receivable   |             | 75                                  | -                                 | 75                                | 187                               |
|   |             | <u>1,543,038</u>                    | <u>110,683</u>                    | <u>1,653,721</u>                  | <u>2,747,059</u>                  |
| <b>Income from charitable activities</b>                    |             |                                     |                                   |                                   |                                   |
| Earned income from cinema activities                        |             | 56,588                              | -                                 | 56,588                            | 942,754                           |
| Rental income   |             | 139,467                             | -                                 | 139,467                           | 274,800                           |
| Service charges   |             | 80,210                              | -                                 | 80,210                            | 191,442                           |
| Other earned income   |             | 95,628                              | -                                 | 95,628                            | 110,881                           |
| Programme funds   | 4           | 3,557                               | 1,672,351                         | 1,675,908                         | 1,701,367                         |
|   |             | <u>375,450</u>                      | <u>1,672,351</u>                  | <u>2,047,801</u>                  | <u>3,221,244</u>                  |
| <b>Other income</b>   |             |                                     |                                   |                                   |                                   |
| Government grants (COVID support)                           | 4           | 777,264                             | -                                 | 777,264                           | -                                 |
| Capital grants  |             | -                                   | 10,000                            | 10,000                            | 103,747                           |
| <b>Total income</b>   |             | <u><b>2,695,752</b></u>             | <u><b>1,793,034</b></u>           | <u><b>4,488,786</b></u>           | <u><b>6,072,050</b></u>           |
| <b>Expenditure</b>  |             |                                     |                                   |                                   |                                   |
| <b>Costs of raising funds</b>                               |             |                                     |                                   |                                   |                                   |
| Fundraising costs   | 8           | (20,275)                            | -                                 | (20,275)                          | (54,570)                          |
| Commercial trading operations                               | 6           | (683,035)                           | -                                 | (683,035)                         | (1,412,532)                       |
|   |             | <u>(703,310)</u>                    | <u>-</u>                          | <u>(703,310)</u>                  | <u>(1,467,102)</u>                |
| <b>Charitable activities</b>                                |             |                                     |                                   |                                   |                                   |
| Operation of cinema, engagement and creative media projects | 9           | (1,584,061)                         | (1,783,034)                       | (3,367,095)                       | (4,493,631)                       |
| Donated services  |             | (6,141)                             | -                                 | (6,141)                           | (28,003)                          |
| CIC operation   | 7           | (1,198)                             | -                                 | (1,198)                           | (1,692)                           |
| Property management costs                                   |             | (56,586)                            | -                                 | (56,586)                          | (157,296)                         |
| Reversal of depreciation (Head lease revaluation)           |             | -                                   | -                                 | -                                 | 709,544                           |
| <b>Total expenditure</b>                                    |             | <u><b>(2,351,296)</b></u>           | <u><b>(1,783,034)</b></u>         | <u><b>(4,134,330)</b></u>         | <u><b>(5,438,180)</b></u>         |
| Net income/(expenditure) before transfers and               |             | 344,456                             | 10,000                            | 354,456                           | 633,870                           |
| Net income/(expenditure) for the year                       |             |                                     |                                   |                                   |                                   |
| Transfers between funds                                     | 20          | 124,917                             | (124,917)                         | -                                 | -                                 |
| <i>Other recognised gains and losses</i>                    |             |                                     |                                   |                                   |                                   |
| Gains on revaluation of head lease                          |             | -                                   | -                                 | -                                 | 1,435,600                         |
| Net movement in funds                                       |             | <u>469,373</u>                      | <u>(114,917)</u>                  | <u>354,456</u>                    | <u>2,069,470</u>                  |
| <b>Reconciliation of funds</b>                              |             |                                     |                                   |                                   |                                   |
| Total funds brought forward                                 |             | 8,636,712                           | 1,408,338                         | 10,045,050                        | 7,975,580                         |
| <b>Total funds carried forward</b>                          |             | <u><b>9,106,085</b></u>             | <u><b>1,293,421</b></u>           | <u><b>10,399,506</b></u>          | <u><b>10,045,050</b></u>          |

Incoming resources and resulting net movement in funds in each year arise from continuing operations.

The group has no recognised gains or losses for the current or previous year other than those shown above.

## Consolidated cash flow statement

for the year ended 31 March 2021

|  | 2021<br>£       | 2020<br>£        |
|--|-----------------|------------------|
| <b>Cash flows from operating activities</b>              |                 |                  |
| Net (outgoings)/income                                   | 352,377         | 633,870          |
| Depreciation of tangible assets                          | 208,887         | 275,322          |
| Depreciation write-off (head lease)                      | -               | (709,544)        |
| Loss on disposal of fixed assets                         | -               | 75,172           |
| Taxation   | -               | (2,498)          |
| Change in trade and other debtors                        | (29,366)        | 297,328          |
| Change in stocks   | 8,891           | (827)            |
| Change in trade and other creditors                      | (512,084)       | 255,524          |
|  | <hr/>           | <hr/>            |
| <b>Net cash flow generated from operating activities</b> | <b>28,705</b>   | <b>824,347</b>   |
| <b>Cash flows from investing activities</b>              |                 |                  |
| Purchases of tangible assets                             | (27,123)        | (270,596)        |
|  | <hr/>           | <hr/>            |
| <b>Net cash from investing activities</b>                | <b>(27,123)</b> | <b>(270,596)</b> |
| <b>Cash flows from financing activities</b>              |                 |                  |
| Decrease in loan/long term creditors                     | -               | -                |
|  | <hr/>           | <hr/>            |
| <b>Net cash flows from financing activities</b>          | <b>-</b>        | <b>-</b>         |
|  | <hr/>           | <hr/>            |
| Cash at bank and in hand at beginning of year            | 1,521,105       | 967,354          |
|  | <hr/>           | <hr/>            |
| Cash at bank and in hand at end of year                  | 1,522,687       | 1,521,105        |
|  | <hr/> <hr/>     | <hr/> <hr/>      |

### Analysis of changes in net debt

|              | At 1 April 2020<br>£ | Cashflows<br>£ | At 31 March 2021<br>£ |
|--------------|----------------------|----------------|-----------------------|
| Cash         | 1,521,105            | 1,582          | 1,522,687             |
|              | <hr/>                | <hr/>          | <hr/>                 |
| <b>Total</b> | <b>1,521,105</b>     | <b>1,582</b>   | <b>1,522,687</b>      |
|              | <hr/>                | <hr/>          | <hr/>                 |

## Consolidated and company balance sheets

at 31 March 2021

|  | Note | Group             |                    | Charity           |                    |
|--|------|-------------------|--------------------|-------------------|--------------------|
|  |      | 2021              | 2020               | 2021              | 2020               |
|  |      | £                 | £                  | £                 | £                  |
| <b>Fixed assets</b>                            |      |                   |                    |                   |                    |
| Tangible assets                                | 13   | 9,279,676         | 9,461,440          | 9,253,623         | 9,427,241          |
| Investments                                    | 14   | -                 | -                  | 50,101            | 50,101             |
|  |      | <u>9,279,676</u>  | <u>9,461,440</u>   | <u>9,303,724</u>  | <u>9,477,342</u>   |
| <b>Current assets</b>                          |      |                   |                    |                   |                    |
| Stocks   | 15   | 6,051             | 14,942             | -                 | -                  |
| Debtors  | 16   | 361,538           | 332,172            | 376,711           | 268,418            |
| Cash at bank and in hand                       |      | 1,722,687         | 1,521,105          | 1,225,894         | 1,112,693          |
|  |      | <u>2,090,276</u>  | <u>1,868,219</u>   | <u>1,602,605</u>  | <u>1,381,111</u>   |
| <b>Creditors: due within one year</b>          | 17   | <b>(937,271)</b>  | <b>(1,249,355)</b> | <b>(549,601)</b>  | <b>(1,057,994)</b> |
| <b>Net current assets</b>                      |      | <b>1,153,005</b>  | <b>618,864</b>     | <b>1,053,004</b>  | <b>323,117</b>     |
| <b>Total assets less current liabilities</b>   |      | <b>10,432,681</b> | <b>10,080,304</b>  | <b>10,356,728</b> | <b>9,800,459</b>   |
| <b>Creditors: due after more than one year</b> | 18   | <b>(29,690)</b>   | <b>(29,690)</b>    | <b>(29,690)</b>   | <b>(29,690)</b>    |
| <b>Provisions for liabilities and charges</b>  | 19   | <b>(3,485)</b>    | <b>(5,564)</b>     | <b>-</b>          | <b>-</b>           |
| <b>Net assets</b>                              |      | <b>10,399,506</b> | <b>10,045,050</b>  | <b>10,327,038</b> | <b>9,770,769</b>   |
| <b>Unrestricted income funds - general</b>     | 20   | <b>1,058,008</b>  | <b>563,188</b>     | <b>985,540</b>    | <b>288,907</b>     |
| CPI – unrestricted designated fund             | 20   | -                 | 12,977             | -                 | 12,977             |
| Clusters – unrestricted designated fund        | 20   | 35,539            | 57,206             | 35,539            | 57,206             |
| Rife– unrestricted designated fund             | 20   | 14,662            | 14,662             | 14,662            | 14,662             |
| Film Hub – unrestricted designated fund        | 20   | 68,849            | 63,962             | 68,849            | 63,962             |
| Van Neste unrestricted designated fund         | 20   | -                 | 30,000             | -                 | 30,000             |
| ACE Cultural Recovery designated fund          | 20   | 34,310            | -                  | 34,310            | -                  |
| Bristol + unrestricted designated fund         | 20   | 244,717           | 244,717            | 244,717           | 244,717            |
| Head lease unrestricted designated fund        | 20   | 5,504,856         | 5,504,856          | 5,504,856         | 5,504,856          |
| Capital unrestricted designated funds          | 20   | 709,544           | 709,544            | 709,544           | 709,544            |
| Revaluation reserve (head lease)               | 20   | 1,435,600         | 1,435,600          | 1,435,600         | 1,435,600          |
| <b>Restricted capital funds</b>                | 21   | <b>1,293,421</b>  | <b>1,408,338</b>   | <b>1,293,421</b>  | <b>1,408,338</b>   |
| <b>Total funds</b>                             |      | <b>10,399,506</b> | <b>10,045,050</b>  | <b>10,327,038</b> | <b>9,770,769</b>   |

A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because Watershed Arts Trust Limited has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

For the parent charity net movement in funds is a surplus of £556,269 (2020: surplus of £2,035,328).

These financial statements were approved by the Board on 8<sup>th</sup> December 2021 and were signed on its behalf by:

J Touzel



Chair of the Board

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### **Company information**

Watershed Arts Trust Limited is a charitable company limited by guarantee incorporated in England and Wales. The registered office is 1 Canons Road, Harbourside, Bristol, BS1 5TX.

#### **Basis of preparation**

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, which have been applied consistently.

Watershed Arts Trust Limited 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.

#### **Going Concern**

Without taking any measures, Watershed would have become insolvent by August 2020. However, a swift response by Watershed's Trustees and Executive ensured that Watershed remained viable in the short term and subsequent strategies actioned ensure that Watershed remains a viable concern.

Measures taken to mitigate the immediate impact were:

- Furloughing of 88 staff who were unable to work from home supported by the Government job retention scheme
- Implementing a 20% pay cut for all staff from 4 May 2020 to 1 Sept 2020. Our Chief Executive Officer took a pay cut of 30%
- A review of our staffing levels and potential staffing needs going forward. This resulted in a redundancy process and organisational restructuring (necessitating the loss of 35 posts)
- Pausing the tendering of our Phase 1 works and the application for planning consent for Phase 2 capital expansion works

As a contingency, Watershed's Trading Company successfully applied for a £200,000 CBILS loan. The loan is intended to support commercial activity only and is seen by the Board as a high risk short term survival strategy given current conditions. The Board has accepted the loan, which is not under guarantee by the Charity. The funds are held in a separate reserve account and is currently unused. Watershed has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

These measures ensured the liquidity of the operation during periods of the government lockdown and enabled us to develop our plans for re-opening under changed circumstances and develop our strategic thinking for a longer term adaptation to an increasingly volatile operating environment.

Watershed initially re-opened its doors to the public on 1 September 2020. Our re-opening model was put together by a cross-departmental team informed by audience and staff surveys, government guidelines and industry best practice to create the most financially efficient and safe model.

To mitigate risk and remain a going concern Watershed has had to make substantial changes to its operations including changing access to the public which has been reduced from 7 days a week to 6. Watershed's building is now closed on a Monday.

In October 2020, Watershed received confirmation of a £731,993 grant from the Arts Council's Cultural Recovery Fund. A further £215,713 grant from the second tranche of the Arts Council Cultural Recovery Fund was awarded in 2021/22. These funds provide Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Social distancing restrictions were lifted in July 2021 and our cinema, café/bar and events business has returned at reduced capacity levels as our base assumption errs on the side of caution to the end of the 2021/22 financial year.

## **1 Accounting policies (continued)**

Watershed Board and Executive continue to monitor alternative scenarios and financial modelling, to make changes where appropriate.

Budget and cashflow forecasts as at February 2021 and reforecasting at September 2021 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21, 2021/22 and 2022/23 financial years to continue operating without impediment. Reserves at the end of 2020/21 were £1,456,085, (£986,712 2019/20). This increase was mainly due to the Arts Council Cultural Recovery Fund. The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

### ***Basis of consolidation***

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2021.

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

The trading results of the subsidiaries are disclosed in notes 6 and 7 to these financial statements.

### ***Income***

#### ***Voluntary income***

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions are met, the amount can be measured reliably, and in line with the timing implied by any multi-period grant agreements.

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non-specific revenue grants which support core activities are categorised as voluntary income. Revenue grants received for specific creative projects are also categorised as income from charitable activities.

Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

#### ***Income from charitable activities***

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met.

Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit cards and is accounted for on a receipts basis. Turnover in respect of the conferencing activities is accounted for on a receivable basis with income recognised in the profit and loss account for conferences completed in the current accounting period.

Non-refundable deposits received in respect of conferences in the next accounting period are held as deferred income in creditors on the balance sheet.

Earned income in respect of Watershed Ventures CIC represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of events and consultancies and is accounted for on a receivable basis.

#### ***Donated services and facilities***

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements as value to the charity, at an estimate provided by the donors.

## 1 Accounting policies (continued)

### **Expenditure**

All expenditure is accounted for on an accruals basis.

Costs directly attributable to a specific expense heading are allocated to that heading.

Expenditure is recognised when a liability is incurred:

- costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds;
- charitable activities include expenditure associated with the cinema exhibition programme and digital studio programmes and include both the direct costs and support costs relating to these activities;
- governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements;
- support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. allocating property costs by floor areas, staff costs by the time spent and other costs by their usage.

### **Leases**

Operating lease rentals are charged to the statement of financial activities on a straight line basis over the period of the lease.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value where cost is determined with reference to current prices. Stocks are assumed to be used on a first in first out basis.

### **Taxation**

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### **Fund accounting**

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

#### **Restricted funds**

These funds are earmarked by the donor for specific purposes. Grant income received to fund capital expenditure is held in restricted funds. The balance is transferred to unrestricted funds in future years at the same rates as to match the depreciation charges of the related assets.

Revenue funds restricted by the donor are matched against expenditure as appropriate.

#### **Unrestricted funds**

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity. In addition to expenditure on the principal activities of the Trust, such funds may be held in order to finance capital investment and working capital.

#### **Designated funds**

The Bristol + (to be renamed Building Fund in 2021/22) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

## 1 Accounting policies (continued)

Currently Bristol + funds are underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2020/21, these costs total £211,707 and are being treated as an asset on Watershed's balance sheet.

Other designated funds ringfence surpluses attributable to timing differences associated with specific project activity and are utilised over the life of the project.

In 2020/21 a new designated fund was established to ring fence surpluses associated with the Arts Council Cultural recovery fund (£34,310). This fund will be fully utilised in the 2021/22 financial year.

### **Subsidiaries**

Details of subsidiary undertakings owned by the charity are disclosed in notes 6 and 7.

### **Fixed assets and depreciation**

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000.

Fixed assets are subject to a policy of cost and depreciation, except for the head lease. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                        |                     |
|------------------------|---------------------|
| Furniture and fittings | 10% - 20% per annum |
| Plant and equipment    | 10% - 33% per annum |

In December 2002 Watershed purchased a new lease on the existing premises for the sum of £650,000 on the same terms as the existing lease excepting the term is for 99 years from 25 March 1982 and the rental is peppercorn.

Depreciation is provided on a straight line basis over a 79 year period (the unexpired term of the lease).

#### Leasehold improvements

The Board re-assessed the useful economic lives of leasehold improvements in 1992. All leasehold improvements are depreciated over 25 years on a straight line basis.

In December 2002 Watershed commenced a programme of capital development which created new administration and event spaces, a third cinema screen, refurbished the existing two screens, created an extension to the café/bar area and provided a fully accessible lift. The programme was completed in March 2006.

In March 2009 Watershed constructed a balcony extension to the café/bar area.

In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years' time and consequently the costs of this work are being depreciated over a 10 year period.

In December 2015 Watershed undertook a programme of refurbishment to upgrade its computer facilities, kitchen equipment and lighting to more energy efficient and environmentally friendly equivalents. The costs of these upgrades are being depreciated over a 10 year period to reflect the useful life of these improvements.

In June 2017 Watershed undertook a programme of refurbishment to update its Front of House facilities, making them fit for purpose and accessible. The costs of these upgrades are being depreciated over a 10 year period to reflect the useful life of these improvements.

#### Acquisition of the head lease to E & W sheds

In March 2007 Watershed purchased the head lease to E & W sheds for its unexpired term of 111  $\frac{3}{4}$  years. The final price paid was £5.95 million. Previously depreciation was provided on a straight line basis over a 111  $\frac{3}{4}$  year period (the unexpired term of the lease).

## **Notes** (continued)

### **1 Accounting policies** (continued)

In 2019/20, the head lease was revalued at a market value of £7,650,000. Going forward the treatment of the lease will be on a re-valuation basis.

The valuation was carried out by chartered surveyors Carter Baynes following the granting of a deed of variation from Bristol City Council which reduced the ground rent payable on the head lease to peppercorn from 1 April 2019.

Opinions of value were provided for both the investment and market value subject to the existing tenancies.

As the useful economic life of some of the above assets exceeds 50 years, the Trustees review the assets for impairment on an annual basis.

### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Basic financial liabilities**

Basic financial liabilities, including trade creditors, other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### **Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, bank overdrafts or other short-term liquid investments with original maturities of three months or less.

### **Foreign currency policy**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

### **2 Critical accounting judgments and key sources of estimation uncertainty**

The head lease to E&W sheds is held by the Charity for the purposes of direct use of the Charity. It is Watershed's intention to impact positively on the immediate public realm and create an external environment around Watershed that is both welcoming and inclusive. Rental income generated by the head lease tenancies is applied directly to the charitable objectives of the Arts Trust. It is therefore deemed appropriate to base valuation of the head lease on its value in use as opposed to the net realisable value.

**Notes** (continued)

**1 Accounting policies** (continued)

Trustees have given due consideration to the impact of the COVID pandemic on the value of the head lease and consider that there are no material changes to the value of the property (see note 13).

Voluntary income is recognised at the point at which the Charity deems it has entitlement to those funds. Decisions around the timing of entitlement are based on the terms and conditions of the particular grant or contract, past precedents around funder's accountability requirements and the need to show a true and transparent picture of the Charity's activities.

Grant income is often offered to Watershed in advance of the activity it supports. In these instances no entitlement is assumed until the funded activity commences. Up to this point funds are held as deferred restricted income. Income is then credited to the profit and loss account to match the related expenditure as the funded activity progresses.

**3 Legal status of the charity**

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2021 there were 12 members.

**4 Grant and project income receivable (Group)**

|   | Deferred as<br>at 1 April<br>2020 | Cash<br>received &<br>receivable<br>2020/21 | Credited to<br>income &<br>expenditure<br>2020/21 | Transferred<br>to capital<br>grants<br>2020/21 | Deferred as<br>at 31 March<br>2021 |
|---|-----------------------------------|---|---|--|------------------------------------|
|   | £                                 | £   | £   | £  | £                                  |
| <b>Income from donations and legacies</b>       |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| <b>Regular Grant Funding</b>                    |                                   |   |   |  |                                    |
| Arts Council England – National Portfolio funds | -                                 | 757,984                                     | (757,984)   | -  | -                                  |
| Bristol City Council – Key Arts Provider funds  | -                                 | 54,400                                      | (54,400)  | -  | -                                  |
| <b>Total Regular Grant Funding</b>              | <b>-</b>                          | <b>812,384</b>                              | <b>(812,384)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Cultural Recovery Grants</b>                 |                                   |   |   |  |                                    |
| Arts Council England                            | -                                 | 621,310                                     | (587,977)   | -  | 33,333                             |
| <b>Total unrestricted grant funding</b>         | <b>-</b>                          | <b>621,310</b>                              | <b>(587,977)</b>                                  | <b>-</b>                                       | <b>33,333</b>                      |
| <b>Restricted grants</b>                        |                                   |   |   |  |                                    |
| <b>Cultural Recovery Grants</b>                 |                                   |   |   |  |                                    |
| Arts Council England – Cultural Recovery        | -                                 | 110,683                                     | (110,683)   | -  | -                                  |
| <b>Total restricted grant funding</b>           | <b>-</b>                          | <b>110,683</b>                              | <b>(110,683)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Income from charitable activities</b>        |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                      |                                   |   |   |  |                                    |
| Europa Cinemas                                  | -                                 | 557   | (557)   | -  | -                                  |
| <b>Unrestricted other project funding</b>       |                                   |   |   |  |                                    |
| Other   | -                                 | 3,000                                       | (3,000)   | -  | -                                  |
| <b>Total other grants</b>                       | <b>-</b>                          | <b>3,557</b>                                | <b>(3,557)</b>                                    | <b>-</b>                                       | <b>-</b>                           |
| <b>Restricted</b>                               |                                   |   |   |  |                                    |
| <b>Programme funding - grants</b>               |                                   |   |   |  |                                    |
| British Film Institute                          | 166,750                           | 575,324                                     | (742,074)   | -  | -                                  |
| HE Sector                                       | 341,871                           | 637,436                                     | (835,848)   | -  | 143,459                            |

|                                   |                |                  |                    |          |                |
|-----------------------------------|----------------|------------------|--------------------|----------|----------------|
| Other grants                      | 3,378          | 56,032           | (59,410)           | -        | -              |
| <b>Programme funding - other</b>  |                |                  |                    |          |                |
| Other project funds               | 4,520          | 30,499           | (35,019)           | -        | -              |
| <b>Total programme funds</b>      | <u>516,519</u> | <u>1,299,291</u> | <u>(1,672,351)</u> | <u>-</u> | <u>143,459</u> |
| <b>Other Grants</b>               |                |                  |                    |          |                |
| <b>Unrestricted</b>               |                |                  |                    |          |                |
| Government grants (COVID support) | -              | 777,264          | (777,264)          | -        | -              |
| <b>Total other grants</b>         | <u>-</u>       | <u>777,264</u>   | <u>(777,264)</u>   | <u>-</u> | <u>-</u>       |
| <b>Total</b>                      | <u>516,519</u> | <u>3,624,489</u> | <u>(3,964,216)</u> | <u>-</u> | <u>176,792</u> |

**Notes** (continued)

**5 Financial activities of the charity**

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC.

The gross incoming resources for the year ended 31 March 2021 for the charity was £4,006,366 (2020: £4,629,344). The overall net incoming resources for the year was a surplus of £556,269 (2020: surplus of £2,035,328), with a surplus of £671,186 (2020: £2,099,837) on unrestricted reserves.

**6 Trading subsidiary's results (Watershed Trading Limited)**

|   | 2021<br>Total<br>£ | 2020<br>Total<br>£ |
|---|--------------------|--------------------|
| <b>Turnover</b>                                     | <b>538,641</b>     | 1,819,854          |
| Cost of sales                                       | <b>(619,471)</b>   | (1,258,276)        |
|   |                    | —————              |
| <b>Gross profit/(loss)</b>                          | <b>(80,830)</b>    | 561,578            |
| Administration and other costs                      | <b>(63,563)</b>    | (156,714)          |
|   |                    | —————              |
| <b>Trading profit/(loss)</b>                        | <b>(144,393)</b>   | 404,864            |
| Other income  | -                  | -                  |
|   |                    | —————              |
| <b>Net income/(outgoing funds)</b>                  | <b>(144,393)</b>   | 404,864            |
| Gift aid payment to Watershed Arts Trust Limited    | -                  | (166,609)          |
| Management charge from Watershed Arts Trust Limited | <b>(58,333)</b>    | (205,000)          |
| Tax on profit on ordinary activities                | <b>2,079</b>       | 2,458              |
|   |                    | —————              |
| <b>Retained profit/(loss) for the year</b>          | <b>(200,647)</b>   | 35,713             |
| Retained profit brought forward                     | <b>264,829</b>     | 229,116            |
|   |                    | —————              |
| <b>Retained profit carried forward</b>              | <b>64,182</b>      | 264,829            |
|   | =====              | =====              |

The assets and liabilities of the subsidiary were:

|  | 2021<br>Total<br>£ | 2020<br>Total<br>£ |
|--|--------------------|--------------------|
| Fixed assets                                   | <b>26,053</b>      | 34,199             |
| Current assets                                 | <b>476,061</b>     | 435,298            |
| Creditors: amounts falling due within one year | <b>(434,347)</b>   | (199,004)          |
| Provisions for liabilities and charges         | <b>(3,485)</b>     | (5,564)            |
|  |                    | —————              |
| <b>Net assets</b>                              | <b>64,282</b>      | 264,929            |
|  | =====              | =====              |
| <b>Equity shareholders' funds</b>              | <b>64,282</b>      | 264,929            |
|  | =====              | =====              |

| <b>Notes</b> <i>(continued)</i>             | <b>2021</b>                                | 2020                                       |
|---|--|--|
| <b>Subsidiary Turnover</b>                  | <b>Total</b>                               | Total                                      |
|   | <b>£</b>                                   | £  |
| Café/bar, conference, retail sales          | <b>98,754</b>                              | 1,803,278                                  |
| Government JRS grants                       | <b>373,220</b>                             | 16,576                                     |
| Arts Council England Cultural Recovery Fund | <b>66,667</b>                              | -  |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Equity shareholders' funds</b>           | <b>538,641</b>                             | 1,819,854                                  |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |

**7 Trading subsidiary's results (Watershed Ventures CIC)**

|   | <b>2021</b>                                | 2020                                       |
|---|--|--|
|   | <b>Total</b>                               | Total                                      |
|   | <b>£</b>                                   | £  |
| <b>Turnover</b>                                     | -  | 3  |
| Cost of sales                                       | -  | -  |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Gross profit</b>                                 | -  | 3  |
| Administration and other costs                      | <b>(1,198)</b>                             | (1,692)                                    |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Trading profit</b>                               | <b>(1,198)</b>                             | (1,689)                                    |
| Other income  | <b>33</b>                                  | 118  |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Net income</b>                                   | <b>(1,165)</b>                             | (1,571)                                    |
| Gift aid payment to Watershed Arts Trust Limited    | -  | -  |
| Management charge from Watershed Arts Trust Limited | -  | -  |
| Tax on profit on ordinary activities                | -  | -  |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Retained profit for the year</b>                 | <b>(1,165)</b>                             | (1,571)                                    |
| Retained profit brought forward                     | <b>9,451</b>                               | 11,022                                     |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Retained profit carried forward</b>              | <b>8,286</b>                               | 9,451                                      |
|   | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |

The assets and liabilities of the subsidiary were:

|  | <b>2021</b>                                | 2020                                       |
|--|--|--|
|  | <b>Total</b>                               | Total                                      |
|  | <b>£</b>                                   | £  |
| Current assets                                 | <b>60,359</b>                              | 60,252                                     |
| Creditors: amounts falling due within one year | <b>(2,072)</b>                             | (800)                                      |
|  | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Net assets</b>                              | <b>58,287</b>                              | 59,452                                     |
|  | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| <b>Equity shareholders' funds</b>              | <b>58,287</b>                              | 59,452                                     |
|  | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |

Watershed Ventures CIC is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479a.

**Notes** (continued)

**8 Allocation of support costs**

The Trust allocates its support costs as shown in the table below and then further apportions those costs between the two charitable activities undertaken (see note 9). Support costs are allocated on a basis consistent with the use of resources.

|                       | Charitable activities | Fundraising costs | Governance    | 2021<br>Total         | 2020<br>Total  |
|-----------------------|-----------------------|-------------------|---------------|-----------------------|----------------|
|                       | £                     | £                 | £             | £                     | £              |
| <b>Support cost</b>   |                       |                   |               |                       |                |
| General office        | 73,485                | 1,589             | 8,813         | <b>83,887</b>         | 109,941        |
| Finance office        | 164,696               | 2,122             | 38,951        | <b>205,769</b>        | 216,719        |
| External audit        | -                     | -                 | 19,433        | <b>19,433</b>         | 16,551         |
| Professional services | 16,700                | -                 | 6,058         | <b>22,758</b>         | 78,431         |
| Fundraiser costs      | -                     | 16,564            | -             | <b>16,564</b>         | 50,469         |
|                       | <u>254,881</u>        | <u>20,275</u>     | <u>73,255</u> | <u><b>348,411</b></u> | <u>472,111</u> |

**9 Analysis of charitable expenditure**

|   | Audience Engagement Programme | Creative technology and talent development projects | 2021<br>Total           | 2020<br>Total    |
|---|-------------------------------|---|-------------------------|------------------|
|   | £                             | £   | £                       | £                |
| Cinema Screening – direct costs         | 445,132                       | -   | <b>445,132</b>          | 1,042,645        |
| Direct programme/project costs          | 606,316                       | 882,492   | <b>1,488,808</b>        | 1,370,254        |
| Arts programme management and marketing | 329,098                       | 255,093   | <b>584,191</b>          | 681,643          |
| Premises costs                          | 179,023                       | 145,490   | <b>324,513</b>          | 717,555          |
| General support costs                   | 203,905                       | 50,976  | <b>254,881</b>          | 344,229          |
| Governance costs                        | 58,604                        | 14,651  | <b>73,255</b>           | 73,312           |
| Depreciation                            | 157,052                       | 39,263  | <b>196,315</b>          | 263,993          |
|   | <u>1,979,130</u>              | <u>1,387,965</u>                                    | <u><b>3,367,095</b></u> | <u>4,493,631</u> |

**Notes** *(continued)*

**10 Staff numbers and costs**

The average headcount in the year for the group was 109 (2020: 131).

The full time equivalent average number of persons employed by Watershed during the year, including directors, analysed by category, was as follows:

|                               | <b>Number of employees</b> |                            |
|-------------------------------|----------------------------|----------------------------|
|                               | <b>2021</b>                | 2020                       |
| Cultural engagement programme | <b>35</b>                  | 56                         |
| Administration                | <b>12</b>                  | 11                         |
| Trading                       | <b>19</b>                  | 34                         |
|                               | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
|                               | <b>66</b>                  | 101                        |
|                               | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |

The aggregate payroll costs of these persons were as follows:

| <b>Group</b>          | <b>2021</b>                | 2020                       |
|-----------------------|----------------------------|----------------------------|
|                       | <b>£</b>                   | £                          |
| Directors' emoluments | -                          | -                          |
| Wages and salaries    | <b>2,214,236</b>           | 2,694,905                  |
| Social security costs | <b>177,145</b>             | 278,626                    |
|                       | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
|                       | <b>2,391,381</b>           | 2,973,531                  |
|                       | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |

During the current and previous year, the Trustees were not paid any remuneration or reimbursed for expenses. No Trustees made a donation to the charity in the current or previous year.

Key management compensation in total for the year was £78,668 (2020: £86,972). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £60,000 to £69,999 (2020 - the emoluments of one employee, including benefits in kind, was within the range of £70,000 to £80,000).

**11 Net movement on funds is stated after charging**

|  | <b>2021</b> | 2020      |
|--|-------------|-----------|
|  | <b>£</b>    | £         |
| Auditors' remuneration – audit (Charity: £13,650)                | 24,200      | 23,000    |
| Depreciation and other amounts written off tangible fixed assets | 208,887     | 275,322   |
| Inventories recognised as an expense                             | 628,362     | 1,257,449 |

**Notes** *(continued)*

**12 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2021 or 2020 by Watershed Ventures CIC.

|  | <b>2021</b>    | <b>2020</b> |
|--|----------------|-------------|
|  | £              | £           |
| <b>Current tax</b>                         |                |             |
| UK corporation tax on results of the year  | -              | -           |
| <b>Deferred tax</b> (see note 19)          |                |             |
| Origination/reversal of timing differences | <b>(2,079)</b> | (2,458)     |
|  | <hr/>          | <hr/>       |
| Tax on profit on ordinary activities       | <b>(2,079)</b> | (2,458)     |
|  | <hr/> <hr/>    | <hr/> <hr/> |

*Factors affecting the tax charge for the current period*

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19%), (2020: 19%). The differences are explained below:

|   | <b>2021</b>      | <b>2020</b> |
|---|------------------|-------------|
|   | £                | £           |
| <i>Current tax reconciliation</i>                 |                  |             |
| Profit/(loss) on ordinary activities before tax   | <b>(202,726)</b> | 199,864     |
|   | <hr/>            | <hr/>       |
| Current tax at 19%                                | <b>(38,518)</b>  | 37,974      |
| <i>Effects of:</i>                                |                  |             |
| Losses brought back                               | <b>36,275</b>    | (36,275)    |
| Other timing differences                          | -                | 396         |
| Deferred tax adjustment relating to previous year | -                | (4,653)     |
| Expenses not deductible for tax purposes          | <b>164</b>       | 100         |
|   | <hr/>            | <hr/>       |
| Total current tax charge (see above)              | <b>(2,079)</b>   | (2,458)     |
|   | <hr/> <hr/>      | <hr/> <hr/> |

**Notes** (continued)

**13 Tangible fixed assets**

|                                       | Head lease       | Leasehold improvements | Furniture and equipment | Total            |
|---------------------------------------|------------------|------------------------|-------------------------|------------------|
| Group                                 | £                | £                      | £                       | £                |
| <i>Cost or valuation</i>              |                  |                        |                         |                  |
| At beginning of year                  | 7,650,000        | 3,110,594              | 1,946,564               | 12,707,158       |
| Disposals in the year                 | -                | -                      | (198,314)               | (198,314)        |
| Revaluation of head lease             | -                | -                      | -                       | -                |
| Additions                             | -                | -                      | 27,123                  | 27,123           |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year                        | 7,650,000        | 3,110,594              | 1,775,373               | 12,535,967       |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Depreciation</i>                   |                  |                        |                         |                  |
| At beginning of year                  | -                | 1,875,067              | 1,370,651               | 3,245,718        |
| Depreciation on disposals             | -                | -                      | (198,314)               | (198,314)        |
| Reversal of depreciation - head lease | -                | -                      | -                       | -                |
| Charge for year                       | -                | 102,998                | 105,889                 | 208,887          |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year                        | -                | 1,978,065              | 1,278,226               | 3,256,291        |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Net book value</i>                 |                  |                        |                         |                  |
| <b>At 31 March 2021</b>               | <b>7,650,000</b> | <b>1,132,529</b>       | <b>497,147</b>          | <b>9,279,676</b> |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At 31 March 2020                      | 7,650,000        | 1,235,527              | 575,913                 | 9,461,440        |
|                                       | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |

Critical judgements around the value of the head lease are described in note 2

**Notes** (continued)

**13 Tangible fixed assets** (continued)

|                           | Head lease       | Leasehold improvements | Furniture and equipment | Total            |
|---------------------------|------------------|------------------------|-------------------------|------------------|
|                           | £                | £                      | £                       | £                |
| <b>Charity</b>            |                  |                        |                         |                  |
| <i>Cost or valuation</i>  |                  |                        |                         |                  |
| At beginning of year      | 7,650,000        | 3,110,594              | 1,813,214               | 12,573,808       |
| Disposals in the year     | -                | -                      | (177,024)               | (177,024)        |
| Additions                 | -                | -                      | 22,697                  | 22,697           |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year            | 7,650,000        | 3,110,594              | 1,658,887               | 12,419,481       |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Depreciation</i>       |                  |                        |                         |                  |
| At beginning of year      | -                | 1,875,067              | 1,271,500               | 3,146,567        |
| Depreciation on disposals | -                | -                      | (177,024)               | (177,024)        |
| Charge for year           | -                | 102,998                | 93,317                  | 196,315          |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| At end of year            | -                | 1,978,065              | 1,187,793               | 3,165,858        |
|                           | <hr/>            | <hr/>                  | <hr/>                   | <hr/>            |
| <i>Net book value</i>     |                  |                        |                         |                  |
| <b>At 31 March 2021</b>   | <b>7,650,000</b> | <b>1,132,529</b>       | <b>471,094</b>          | <b>9,253,623</b> |
|                           | <hr/> <hr/>      | <hr/> <hr/>            | <hr/> <hr/>             | <hr/> <hr/>      |
| At 31 March 2020          | 7,650,000        | 1,235,527              | 541,714                 | 9,427,241        |
|                           | <hr/> <hr/>      | <hr/> <hr/>            | <hr/> <hr/>             | <hr/> <hr/>      |

The Trustee's review of the fixed assets has concluded that their value is not impaired. The head lease qualifies as a 'long leasehold' as it has over 50 years to run.

**14 Fixed asset investments**

| Shares                       | Charity<br>2021<br>£ | Charity<br>2020<br>£ |
|------------------------------|----------------------|----------------------|
| At the beginning of the year | 50,101               | 50,101               |
|                              | <hr/>                | <hr/>                |
| At the end of the year       | 50,101               | 50,101               |
|                              | <hr/> <hr/>          | <hr/> <hr/>          |

The above shares represent equity investments in group undertakings.

The company owns 100% of the issued share capital of Watershed Trading Limited (company registration number: 01621620), a company incorporated in England and Wales. The principal activities of this company are the operation of the café/bar, and conference facilities at Watershed.

The company owns 100% of the issued share capital of Watershed Ventures CIC (company registration number: 06097013), a company incorporated in England and Wales. The principal activities of this company are to promote participation by individuals, groups and organisations in the creative industries in the South West of England and elsewhere.

**15 Stocks**

|                                     | Group       |             | Charity     |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
|                                     | 2021<br>£   | 2020<br>£   | 2021<br>£   | 2020<br>£   |
| Finished goods and goods for resale | 6,051       | 14,942      | -           | -           |
|                                     | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

**Notes** (continued)

**16 Debtors**

|  | <b>Group</b>   |             | <b>Charity</b> |             |
|--|----------------|-------------|----------------|-------------|
|  | <b>2021</b>    | 2020        | <b>2021</b>    | 2020        |
|  | £              | £           | £              | £           |
| Trade debtors  | <b>17,938</b>  | 84,674      | <b>15,703</b>  | 42,910      |
| Prepayments and accrued income                       | <b>305,245</b> | 242,697     | <b>305,245</b> | 220,720     |
| Other debtors including taxation and social security | <b>38,355</b>  | 4,801       | <b>55,763</b>  | 4,788       |
|  | <hr/>          | <hr/>       | <hr/>          | <hr/>       |
|  | <b>361,538</b> | 332,172     | <b>376,711</b> | 268,418     |
|  | <hr/> <hr/>    | <hr/> <hr/> | <hr/> <hr/>    | <hr/> <hr/> |

All debtors are recoverable within one year.

Other debtors include an amount of £6,091 owed to Watershed for other taxes and social security.

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

|  | <b>Group</b>   |             | <b>Charity</b> |             |
|--|----------------|-------------|----------------|-------------|
|  | <b>2021</b>    | 2020        | <b>2021</b>    | 2020        |
|  | £              | £           | £              | £           |
| Trade creditors  | <b>207,384</b> | 325,798     | <b>194,450</b> | 307,597     |
| Other creditors including taxation and social security | <b>133,538</b> | 165,318     | <b>51,143</b>  | 66,540      |
| Accruals and deferred income                           | <b>396,349</b> | 758,239     | <b>302,676</b> | 675,414     |
| Amounts owed to group undertakings                     | -              | -           | <b>1,332</b>   | 8,443       |
| CBILS loan   | <b>200,000</b> | -           | -              | -           |
|  | <hr/>          | <hr/>       | <hr/>          | <hr/>       |
|  | <b>937,271</b> | 1,249,355   | <b>549,601</b> | 1,057,994   |
|  | <hr/> <hr/>    | <hr/> <hr/> | <hr/> <hr/>    | <hr/> <hr/> |

Other creditors include £114,294 (2020: £132,253) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £140,882, deferred income comprising £37,305 of conference deposits, £41,370 of rental income received in advance, and £176,792 of grant and project income (note 4).

In March 2021, a loan from HSBC Bank was taken out by Watershed Trading Limited for £200,000 as part of the Coronavirus Business Interruption Loan Scheme. The funds are held in a separate reserve account and are currently unused. The company has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

Deferred rent income, advanced cinema sales, and conference and café/bar deposits:

|   | <b>Group</b>     | <b>Charity</b>   |
|---|------------------|------------------|
|   | £                | £                |
| Balance as at 1 April 2020                                  | <b>91,218</b>    | <b>36,628</b>    |
| Amount released to income earned from charitable activities | <b>(367,904)</b> | <b>(344,353)</b> |
| Amount deferred in the year                                 | <b>355,361</b>   | <b>349,095</b>   |
|   | <hr/>            | <hr/>            |
| Balance as at 31 March 2021                                 | <b>78,675</b>    | <b>41,370</b>    |
|   | <hr/> <hr/>      | <hr/> <hr/>      |

**Notes** (continued)

**18 Creditors: amounts falling due after more than one year**

|                                 | <b>Group</b>      |                   | <b>Charity</b>    |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <b>2021</b>       | 2020              | <b>2021</b>       | 2020              |
|                                 | £                 | £                 | £                 | £                 |
| Other loans                     | <b>(29,690)</b>   | (29,690)          | <b>(29,690)</b>   | (29,690)          |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Analysis of loans               |                   |                   |                   |                   |
| Wholly repayable within 5 years | <b>(29,690)</b>   | (29,690)          | <b>(29,690)</b>   | (29,690)          |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

The balance of £29,690 relates to rental deposits being held in respect of tenancies to E & W sheds.

**19 Provisions and liabilities**

| <b>Group</b>                                  | <b>Deferred tax</b> |
|---|---------------------|
|   | £                   |
| At beginning of year                          | 5,564               |
| Release in the year (note 12)                 | (2,079)             |
|   | <u>          </u>   |
| Add back deferred tax asset (held in debtors) | -                   |
|   | <u>          </u>   |
| <b>Deferred tax liability at end of year</b>  | <b>3,485</b>        |
|   | <u>          </u>   |

The elements of deferred taxation are as follows:

|  | <b>2021</b>       | 2020              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Difference between accumulated depreciation and capital allowances | <b>3,485</b>      | 5,564             |
| Other short term timing differences                                | -                 | -                 |
|  | <u>          </u> | <u>          </u> |
|  | <b>3,485</b>      | 5,564             |
|  | <u>          </u> | <u>          </u> |

The charity has no deferred taxation liabilities.

**Notes** (continued)

**20 Unrestricted income funds**

|  | <b>Group</b>     | <b>Charity</b>   |
|--|------------------|------------------|
| At beginning of year                     | 8,636,712        | 8,362,430        |
| Movement in year before transfers        | 344,456          | 546,270          |
| Transfer from restricted funds (note 21) | 124,917          | 124,917          |
|  | —                | —                |
| <b>At end of year</b>                    | <b>9,106,085</b> | <b>9,033,617</b> |
|  | =====            | =====            |

|                                  | At beginning<br>of year: 1<br>April 2020 | Incoming<br>resources | Expenditure | Transfers | Other<br>recognised<br>gains and<br>losses | At end of<br>Year: 31<br>March 2021 |
|----------------------------------|--|-----------------------|-------------|-----------|--|-------------------------------------|
|                                  | £  | £                     | £           | £         | £  | £                                   |
| <b>Unrestricted income funds</b> |  |                       |             |           |  |                                     |
| General fund                     | 563,188                                  | 2,695,752             | (2,351,296) | 150,364   | -  | <b>1,058,008</b>                    |
| <i>Designated Funds</i>          |  |                       |             |           |  |                                     |
| Bristol+ contingency fund        | 244,717                                  | -                     | -           | -         | -  | <b>244,717</b>                      |
| Head lease fund                  | 5,504,856                                | -                     | -           | -         | -  | <b>5,504,856</b>                    |
| Capital fund                     | 709,544                                  | -                     | -           | -         | -  | <b>709,544</b>                      |
| Revaluation reserve (head lease) | 1,435,600                                | -                     | -           | -         | -  | <b>1,435,600</b>                    |
| CPI fund                         | 12,977                                   | -                     | -           | (12,977)  | -  | -                                   |
| Clusters Fund                    | 57,206                                   | -                     | -           | (21,667)  | -  | <b>35,539</b>                       |
| Rife Fund                        | 14,662                                   | -                     | -           | -         | -  | <b>14,662</b>                       |
| Film Hub Fund                    | 63,962                                   | -                     | -           | 4,887     | -  | <b>68,849</b>                       |
| Van Neste Designated Fund        | 30,000                                   | -                     | -           | (30,000)  | -  | -                                   |
| ACE Cultural Recovery funds      | -  | -                     | -           | 34,310    | -  | <b>34,310</b>                       |
|                                  | —  | —                     | —           | —         | —  | —                                   |
|                                  | 8,636,712                                | 2,695,752             | (2,351,296) | 124,917   | -  | <b>9,106,085</b>                    |
|                                  | =====                                    | =====                 | =====       | =====     | =====                                      | =====                               |

The head lease fund (£5,504,856) represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the head lease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust.

Following the revaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment. The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. These amounts represent the head lease valuation of £7,650,000 and therefore do not form part of the freely available reserves of the Trust.

**Notes** (continued)

**21 Restricted funds: Group and Charity**

|                                       | At<br>beginning<br>of year: 1<br>April 2020 | Incoming<br>resources | Transfer to<br>unrestricted<br>income<br>funds | Re-<br>classification<br>to<br>unrestricted<br>funds | Outgoing<br>resources | At end of<br>Year: 31<br>March<br>2021 |
|---------------------------------------|---|-----------------------|--|--|-----------------------|--|
|                                       | £   | £                     | £  | £  | £                     | £                                      |
| <b>Capital funds</b>                  |   |                       |  |  |                       |  |
| Deferred capital grant                | 9,597                                       | -                     | (1,601)  | -  | -                     | 7,996                                  |
| Deferred capital refurbishment grants | 572,003                                     | -                     | (67,426)                                       | -  | -                     | 504,577                                |
| Lottery lease purchase grant          | 531,431                                     | -                     | (8,712)  | -  | -                     | 522,719                                |
| ACE GforA capital grant               | 36,089                                      | -                     | (2,800)  | -  | -                     | 33,289                                 |
| ACE small capital grant               | 143,550                                     | -                     | (28,710)                                       | -  | -                     | 114,840                                |
| LEP – capital grant                   | 15,668                                      | -                     | (15,668)                                       | -  | -                     | -                                      |
| Garfield Weston capital grant         | 100,000                                     | -                     | -  | -  | -                     | 100,000                                |
| Other capital funds                   | -   | 10,000                | -  | -  | -                     | 10,000                                 |
|                                       | <u>1,408,338</u>                            | <u>10,000</u>         | <u>(124,917)</u>                               | <u>-</u>   | <u>-</u>              | <u>1,293,421</u>                       |

Transfer to unrestricted income funds is in respect of the annual release to the SOFA in respect of capital grants. Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

**Deferred capital grant**

Grant support to fund refurbishments undertaken in 2001/02 has been transferred to deferred capital grants and is being taken to income over the same period of time as the depreciation of the assets funded by the grants (25 years).

**Deferred capital refurbishment grants**

Grant support to enable refurbishment of the existing cinemas and the construction of new administration spaces, a third cinema screen, an extended café/bar facility and a new lift has been transferred to deferred capital grants and is being taken to income over a period of 25 years. The work commenced in December 2002.

**Lottery lease purchase grant**

Lottery Grant support from Arts Council England Stabilisation scheme to enable the Watershed's lease purchase has been transferred to deferred capital grants and is being taken to income funds over a period of 79 years to match the unexpired period of the lease.

**LEP capital grant**

Grant support from West of England Local Enterprise Partnership to facilitate Watershed in setting up a new virtual reality lab has been written off in the year. The grant was novated to the University of the West of England (UWE) in the year 2020/21 and ownership of the assets funded by the grant were transferred to UWE.

**Garfield Weston capital grant**

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants and will be taken to income over the same period of time as the depreciation of the assets it will fund once the capital project has been undertaken.

**Other capital funds**

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period of time as the depreciation of the assets it will fund once the capital project has been undertaken.

**Voluntary income and project funding from charitable activities**

Donated services and one off grants received which are restricted by the donors are spent in accordance with the donors' restrictions.

Revenue grants received for specific creative projects are categorised as income from charitable activities and the grants are spent in accordance with the donors' restrictions.

**Notes** (continued)

**22 Analysis of fund balances - group**

|  | <b>Unrestricted<br/>funds<br/>£</b> | <b>Restricted<br/>funds<br/>£</b> | <b>2021<br/>Total<br/>£</b> | <b>2020<br/>Total<br/>£</b> |
|--|-------------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Fixed assets                           | 7,986,255                           | 1,293,421                         | <b>9,279,676</b>            | 9,461,440                   |
| Net current assets                     | 1,153,005                           | -                                 | <b>1,153,005</b>            | 618,864                     |
| Long term liabilities                  | (29,690)                            | -                                 | <b>(29,690)</b>             | (29,690)                    |
| Provisions for liabilities and charges | (3,485)                             | -                                 | <b>(3,485)</b>              | (5,564)                     |
|  | <u>9,106,085</u>                    | <u>1,293,421</u>                  | <u><b>10,399,506</b></u>    | <u>10,045,050</u>           |

**23 Operating leases as a lessee**

The future minimum lease payments under non-cancellable operating leases expected to be paid by the Charity and Group will fall due as follows:

|                            | <b>2021<br/>Group and<br/>Charity plant<br/>and equipment<br/>£</b> | <b>2020<br/>Group and<br/>Charity plant<br/>and equipment<br/>£</b> |
|----------------------------|---|---|
| Within one year            | <b>10,306</b>   | 10,302  |
| Between one and five years | <b>37,892</b>   | 41,209  |
| After five years           | -   | -   |
|                            | <u><b>48,198</b></u>  | <u>51,511</u>   |

**24 Operating leases as a lessor**

The future minimum lease payments under non-cancellable operating leases expected to be received by the Charity and Group are due to be received as follows:

|                            | <b>2021<br/>Group and<br/>Charity leasehold<br/>property<br/>£</b> | <b>2020<br/>Group and<br/>Charity leasehold<br/>property<br/>£</b> |
|----------------------------|--|--|
| Within one year            | <b>236,385</b>   | 236,385  |
| Between one and five years | <b>806,974</b>   | 844,774  |
| After five years           | <b>382,179</b>   | 580,763  |
|                            | <u><b>1,425,538</b></u>  | <u>1,661,922</u>   |

## Notes (continued)

### 25 Related party transactions

During the year legal fees of £6,972 (2020: £24,205) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £6,141 (2020: £28,003) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in June 2016.

The Board has delegated authority to the Chief Executive Officer to instruct TLT LLP, or any other law firm, on matters where the total fee charged on that transaction does not exceed £10,000. Transactions above this limit are approved by the Board. James Touzel absents himself from any discussion of any proposal to instruct TLT LLP or to approve fee proposals submitted by TLT LLP.

During the year consultancy fees of £nil (2020: £2,500) were paid to Stephen Gatfield in respect of programme design and coaching sessions. Stephen Gatfield is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £nil (2020: £530) were paid to Sherrie Eugene Hart in respect of participation on an interview panel. Sherrie Eugene Hart is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £6,000 (2020: £nil) were paid to Susan Cooper in respect of work undertaken on the SWCTN programme. Susan Cooper is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £1,025 (2020: £nil) were paid to Parys Gardener in respect of work undertaken on programme design and facilitation. Parys Gardener is a trustee of Watershed Arts Trust Limited.

26 **Comparative statement of financial activities**

|   | <i>Note</i> | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total Funds<br/>2020<br/>£</b> |
|---|-------------|-------------------------------------|-----------------------------------|-----------------------------------|
| <b>Income</b>   |             |                                     |                                   |                                   |
| <b>Voluntary income</b>   |             |                                     |                                   |                                   |
| <i>Donations and legacies</i>   |             |                                     |                                   |                                   |
| Individual giving   |             | 92,383                              | -                                 | 92,383                            |
| Donated services  |             | 28,003                              | -                                 | 28,003                            |
| Regular grant funding   | 4           | 812,289                             | -                                 | 812,289                           |
| <i>Other trading activities</i>   |             |                                     |                                   |                                   |
| Commercial trading operations   | 6/7         | 1,814,197                           | -                                 | 1,814,197                         |
| <i>Investment income</i>  |             |                                     |                                   |                                   |
| Interest receivable   |             | 187                                 | -                                 | 187                               |
|   |             | <u>2,747,059</u>                    | -                                 | <u>2,747,059</u>                  |
| <b>Income from charitable activities</b>  |             |                                     |                                   |                                   |
| Earned income from cinema activities  |             | 942,754                             | -                                 | 942,754                           |
| Rental income   |             | 274,800                             | -                                 | 274,800                           |
| Service charges   |             | 191,442                             | -                                 | 191,442                           |
| Other earned income   |             | 110,881                             | -                                 | 110,881                           |
| Programme funds   | 4           | 21,098                              | 1,680,269                         | 1,701,367                         |
|   |             | <u>1,540,975</u>                    | <u>1,680,269</u>                  | <u>3,221,244</u>                  |
| <b>Other income</b>   |             |                                     |                                   |                                   |
| Capital grants  |             | -                                   | 103,747                           | 103,747                           |
| <b>Total income</b>   |             | <u><b>4,288,034</b></u>             | <u><b>1,784,016</b></u>           | <u><b>6,072,050</b></u>           |
| <b>Expenditure</b>  |             |                                     |                                   |                                   |
| <b>Costs of raising funds</b>   |             |                                     |                                   |                                   |
| Fundraising costs   | 8           | (54,570)                            | -                                 | (54,570)                          |
| Commercial trading operations   | 6           | (1,412,532)                         | -                                 | (1,412,532)                       |
|   |             | <u>(1,467,102)</u>                  | -                                 | <u>(1,467,102)</u>                |
| <b>Charitable activities</b>  |             |                                     |                                   |                                   |
| Operation of cinema, engagement and creative media projects                         | 9           | (2,813,362)                         | (1,680,269)                       | (4,493,631)                       |
| Donated services  |             | (28,003)                            | -                                 | (28,003)                          |
| CIC operation   | 7           | (1,692)                             | -                                 | (1,692)                           |
| Property management costs   |             | (157,296)                           | -                                 | (157,296)                         |
| Reversal of depreciation (Head lease revaluation)                                   | 13          | 709,544                             | -                                 | 709,544                           |
| <b>Total expenditure</b>  |             | <u><b>(3,757,911)</b></u>           | <u><b>(1,680,269)</b></u>         | <u><b>(5,438,180)</b></u>         |
| Net income/(expenditure) before transfers and Net income/(expenditure) for the year |             | 530,123                             | 103,747                           | 633,870                           |
| Transfers between funds   | 20          | 168,256                             | (168,256)                         | -                                 |
| <i>Other recognised gains and losses</i>  |             |                                     |                                   |                                   |
| Gains on revaluation of head lease  | 13          | 1,435,600                           | -                                 | 1,435,600                         |
| Net movement in funds   |             | <u>2,133,979</u>                    | <u>(64,509)</u>                   | <u>2,069,470</u>                  |
| <b>Reconciliation of funds</b>  |             |                                     |                                   |                                   |
| Total funds brought forward   |             | 6,502,733                           | 1,472,847                         | 7,975,580                         |
| <b>Total funds carried forward</b>  |             | <u><b>8,636,712</b></u>             | <u><b>1,408,338</b></u>           | <u><b>10,045,050</b></u>          |