

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
Total	£ 1,468,719

**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>
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, 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 7th 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. 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 Sf

.....
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>	Unrestricted Funds £	Restricted Funds £	Total Funds 2022 £	Total Funds 2021 £
Income					
Voluntary income					
<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>
Income from charitable activities					
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>
Other income					
Government grants (COVID support)	4	142,256	-	142,256	777,264
Capital grants		-	75,000	75,000	10,000
Total income		<u>3,104,637</u>	<u>1,488,621</u>	<u>4,593,258</u>	<u>4,488,786</u>
Expenditure					
Costs of raising funds					
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>
Charitable activities					
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)
Total expenditure		<u>(3,201,251)</u>	<u>(1,413,621)</u>	<u>(4,614,872)</u>	<u>(4,134,330)</u>
Net income/(expenditure) before transfers and Net income/(expenditure) for the year		(96,614)	75,000	(21,614)	354,456
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>
Reconciliation of funds					
Total funds brought forward		9,106,085	1,293,421	10,399,506	10,045,050
Total funds carried forward		<u>9,118,719</u>	<u>1,259,173</u>	<u>10,377,892</u>	<u>10,399,506</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 £	2021 £
Cash flows from operating activities		
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/>
Net cash flow generated from operating activities	119,999	228,705
Cash flows from investing activities		
Purchases of tangible assets	(64,387)	(27,123)
	<hr/>	<hr/>
Net cash from investing activities	(64,387)	(27,123)
Cash flows from financing activities		
Decrease in loan/long term creditors	-	-
	<hr/>	<hr/>
Net cash flows from financing activities	-	-
	<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/>

Analysis of changes in net debt

	At 1 April 2021 £	Cashflows £	At 31 March 2022 £
Cash	1,722,687	55,612	1,778,299
	<hr/>	<hr/>	<hr/>
Total	1,722,687	55,612	1,778,299
	<hr/>	<hr/>	<hr/>

Consolidated and company balance sheets

at 31 March 2022

	Note	Group		Charity	
		2022	2021	2022	2021
		£	£	£	£
Fixed assets					
Tangible assets	13	9,168,143	9,279,676	9,130,612	9,253,623
Investments	14	-	-	50,101	50,101
		9,168,143	9,279,676	9,180,713	9,303,724
Current assets					
Stocks	15	15,233	6,051	-	-
Debtors	16	338,412	361,538	388,687	376,711
Cash at bank and in hand		1,778,299	1,722,687	1,424,354	1,225,894
		2,131,944	2,090,276	1,813,041	1,602,605
Creditors: due within one year	17	(889,020)	(937,271)	(674,004)	(549,601)
Net current assets		1,242,924	1,153,005	1,139,037	1,053,004
Total assets less current liabilities		10,411,067	10,432,681	10,319,750	10,356,728
Creditors: due after more than one year	18	(29,690)	(29,690)	(29,690)	(29,690)
Provisions for liabilities and charges	19	(3,485)	(3,485)	-	-
Net assets		10,377,892	10,399,506	10,290,060	10,327,038
Unrestricted income funds - general	20	1,120,696	1,058,008	1,032,864	985,540
Clusters – unrestricted designated fund	20	35,539	35,539	35,539	35,539
Rife– unrestricted designated fund	20	-	14,662	-	14,662
Film Hub – unrestricted designated fund	20	67,767	68,849	67,767	68,849
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
Restricted capital funds	21	1,259,173	1,293,421	1,259,173	1,293,421
Total funds		10,377,892	10,399,506	10,290,060	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 7th 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 at 1 April 2021 £	Cash received & receivable 2021/22 £	Credited to income & expenditure 2021/22 £	Transferred to capital grants 2021/22 £	Deferred as at 31 March 2022 £
Income from donations and legacies					
Unrestricted grants					
Regular Grant Funding					
Arts Council England – National Portfolio funds	-	757,984	(757,984)	-	-
Bristol City Council – Key Arts Provider funds	-	54,400	(54,400)	-	-
Total Regular Grant Funding	-	812,384	(812,384)	-	-
Cultural Recovery Grants					
Arts Council England	33,333	364,993	(398,326)	-	-
Total unrestricted grant funding	33,333	364,993	(398,326)	-	-
Restricted grants					
Cultural Recovery Grants					
Arts Council England – Cultural Recovery	-	-	-	-	-
Total restricted grant funding	-	-	-	-	-
Income from charitable activities					
Unrestricted grants					
Europa Cinemas	-	-	-	-	-
Unrestricted other project funding					
Other	-	6,000	(6,000)	-	-
Total other grants	-	6,000	(6,000)	-	-
Restricted					
Programme funding - grants					
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
Programme funding - other					
Other project funds	-	132,500	(124,500)	-	8,000
Total programme funds	143,459	1,417,743	(1,413,621)	-	147,581
Other Grants					
Unrestricted					
Government grants (COVID support)	-	142,256	(142,256)	-	-
Total other grants	-	142,256	(142,256)	-	-
Total	176,792	2,743,376	(2,772,587)	-	147,581

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 Total £	2021 Total £
Turnover	976,163	538,641
Cost of sales	(776,335)	(619,471)
	<hr/>	<hr/>
Gross profit/(loss)	199,828	(80,830)
Administration and other costs	(126,663)	(63,563)
	<hr/>	<hr/>
Trading profit/(loss)	73,165	(144,393)
Other income	9	-
	<hr/>	<hr/>
Net income/ (outgoing funds)	73,174	(144,393)
Gift aid payment to Watershed Arts Trust Limited	-	-
Management charge from Watershed Arts Trust Limited	(57,309)	(58,333)
Tax on profit on ordinary activities	-	2,079
	<hr/>	<hr/>
Retained profit/(loss) for the year	15,865	(200,647)
Retained profit brought forward	64,182	264,829
	<hr/>	<hr/>
Retained profit carried forward	80,047	64,182
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2022 Total £	2021 Total £
Fixed assets	37,531	26,053
Current assets	391,489	476,061
Creditors: amounts falling due within one year	(345,388)	(434,347)
Provisions for liabilities and charges	(3,485)	(3,485)
	<hr/>	<hr/>
Net assets	80,147	64,282
	<hr/> <hr/>	<hr/> <hr/>
Equity shareholders' funds	80,147	64,282
	<hr/> <hr/>	<hr/> <hr/>

Notes <i>(continued)</i>	2022	2021
Subsidiary Turnover		
	Total	Total
	£	£
Café/bar, conference, retail sales	869,227	98,754
Government JRS grants	73,603	373,220
Arts Council England Cultural Recovery Fund	33,333	66,667
	<hr/>	<hr/>
Turnover	976,163	538,641
	<hr/>	<hr/>

7 Trading subsidiary's results (Watershed Ventures CIC)

	2022	2021
	Total	Total
	£	£
Turnover	-	-
Cost of sales	-	-
	<hr/>	<hr/>
Gross profit	-	-
Administration and other costs	(504)	(1,198)
	<hr/>	<hr/>
Trading profit	(504)	(1,198)
Other income	3	33
	<hr/>	<hr/>
Net income	(501)	(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/>
Retained profit for the year	(501)	(1,165)
Retained profit brought forward	8,286	9,451
	<hr/>	<hr/>
Retained profit carried forward	7,785	8,286
	<hr/>	<hr/>

The assets and liabilities of the subsidiary were:

	2022	2021
	Total	Total
	£	£
Current assets	58,586	60,359
Creditors: amounts falling due within one year	(800)	(2,072)
	<hr/>	<hr/>
Net assets	57,786	58,287
	<hr/>	<hr/>
Equity shareholders' funds	57,786	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 £	Fundraising costs £	Governance £	2022 Total £	2021 Total £
Support cost					
General office	91,486	1,746	15,056	108,288	83,887
Finance office	207,583	2,504	50,931	261,018	205,769
External audit	-	-	22,821	22,821	19,433
Professional services	16,478	-	13,736	30,214	22,758
Fundraiser costs	-	48,290	-	48,290	16,564
	<u>315,547</u>	<u>52,540</u>	<u>102,544</u>	<u>470,631</u>	<u>348,411</u>

9 Analysis of charitable expenditure

	Audience Engagement Programme £	Creative technology and talent development projects £	2022 Total £	2021 Total £
Cinema Screening – direct costs	609,232	-	609,232	445,132
Direct programme/project costs	600,533	738,795	1,339,328	1,488,808
Arts programme management and marketing	339,656	239,912	579,568	584,191
Premises costs	307,560	162,684	470,244	324,513
General support costs	252,438	63,109	315,547	254,881
Governance costs	82,035	20,509	102,544	73,255
Depreciation	129,395	32,349	161,744	196,315
Total	<u>2,320,849</u>	<u>1,257,358</u>	<u>3,578,207</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
	<hr/>	<hr/>
	69	66
	<hr/>	<hr/>

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
	<hr/>	<hr/>
	2,446,740	2,391,381
	<hr/>	<hr/>

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 £	2021 £
Current tax		
UK corporation tax on results of the year	-	-
Deferred tax (see note 19)		
Origination/reversal of timing differences	-	(2,079)
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	(2,079)
	<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 £	2021 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	15,865	(202,726)
	<hr/>	<hr/>
Current tax at 19%	3,014	(38,518)
Effects of:		
Losses brought back	-	36,275
Other timing differences	(3,883)	-
Expenses not deductible for tax purposes	17	164
Deferred tax changes in tax rates	1,725	-
Group relief claimed	(873)	-
	<hr/>	<hr/>
Total current tax charge (see above)	-	(2,079)
	<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
At end of year	7,650,000	3,204,571	1,745,783	12,600,354
<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
At end of year	-	2,081,332	1,350,879	3,432,211
<i>Net book value</i>				
At 31 March 2022	7,650,000	1,123,239	394,904	9,168,143
At 31 March 2021	7,650,000	1,132,529	497,147	9,279,676

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
	£	£	£	£
Charity				
<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>				
At 31 March 2022	7,650,000	1,123,239	357,373	9,130,612
	<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 2022 £	Charity 2021 £
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 2022 £	2021 £	Charity 2022 £	2021 £
Finished goods and goods for resale	15,233	6,051	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)**16 Debtors**

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	99,000	17,938	22,923	15,703
Prepayments and accrued income	175,090	305,245	170,572	305,245
Other debtors including taxation and social security	64,322	38,355	64,232	55,763
Amounts owed from Group undertakings	-	-	130,960	-
	<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

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	355,263	207,384	340,005	194,450
Other creditors including taxation and social security	165,827	133,538	64,047	51,143
Accruals and deferred income	367,930	396,349	269,740	302,676
Amounts owed to group undertakings	-	-	212	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:

	Group	Charity
	£	£
Balance as at 1 April 2021	78,675	41,370
Amount deferred in the year	(2,704)	(25,748)
Balance as at 31 March 2022	<u>75,971</u>	<u>15,622</u>

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Other loans	(29,690)	(29,690)	(29,690)	(29,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Analysis of loans				
Wholly repayable within 5 years	(29,690)	(29,690)	(29,690)	(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

Group	Deferred tax £
At beginning of year	3,485
Movement in the year (note 12)	-
	<u> </u>
Add back deferred tax asset (held in debtors)	-
	<u> </u>
Deferred tax liability at end of year	3,485
	<u> </u>

The elements of deferred taxation are as follows:

	2022	2021
	£	£
Difference between accumulated depreciation and capital allowances	3,485	3,485
Other short term timing differences	-	-
	<u> </u>	<u> </u>
	3,485	3,485
	<u> </u>	<u> </u>

The charity has no deferred taxation liabilities.

Notes (continued)

20 Unrestricted income funds

	Group £	Charity £
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/>
At end of year	9,118,719	9,030,887
	<hr/>	<hr/>

	At beginning of year: 1 April 2021	Incoming resources	Expenditure	Transfers	Other recognised gains and losses	At end of Year: 31 March 2022
	£	£	£	£	£	£
Unrestricted income funds						
General fund	1,058,008	3,100,783	(3,197,397)	159,302	-	1,120,696
<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 lease)	1,435,600	-	-	-	-	1,435,600
Clusters Fund	35,539	-	-	-	-	35,539
Rife Fund	14,662	-	-	(14,662)	-	-
Film Hub Fund	68,849	-	-	(1,082)	-	67,767
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	-	9,118,719
	<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 beginning of year: 1 April 2021	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of Year: 31 March 2022
	£	£	£	£	£	£
Capital funds						
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 funds £	Restricted funds £	2022 Total £	2021 Total £
Fixed assets	7,908,970	1,259,173	9,168,143	9,279,676
Net current assets	1,242,924	-	1,242,924	1,153,005
Long term liabilities	(29,690)	-	(29,690)	(29,690)
Provisions for liabilities and charges	(3,485)	-	(3,485)	(3,485)
	<u>9,118,719</u>	<u>1,259,173</u>	<u>10,377,892</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 Group and Charity plant and equipment £	2021 Group and Charity plant and equipment £
Within one year	10,306	10,306
Between one and five years	27,586	37,892
After five years	-	-
	<u>37,892</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 Group and Charity leasehold property £	2021 Group and Charity leasehold property £
Within one year	211,219	236,385
Between one and five years	794,340	806,974
After five years	183,594	382,179
	<u>1,189,153</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 Funds £	Restricted Funds £	Total Funds 2021 £
Income				
Voluntary income				
<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>
Income from charitable activities				
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>
Other income				
Government grants (COVID support)		777,264	-	777,264
Capital grants		-	10,000	10,000
Total income		<u>2,695,752</u>	<u>1,793,034</u>	<u>4,488,786</u>
Expenditure				
Costs of raising funds				
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>
Charitable activities				
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	-	-	-
Total expenditure		<u>(2,351,296)</u>	<u>(1,783,034)</u>	<u>(4,134,330)</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>
Reconciliation of funds				
Total funds brought forward		8,636,712	1,408,338	10,045,050
Total funds carried forward		<u>9,106,085</u>	<u>1,293,421</u>	<u>10,399,506</u>