

Watershed Arts Trust Limited
(a company limited by guarantee)

Report of the Board and consolidated financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2024

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Strategic Report

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

Values

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

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

Achievements and performance

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

Strategic report (continued)

Programme Highlights in 2023/24

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

Connecting creatives to audiences through our venue/public programme

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

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

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

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

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

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

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

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

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

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

Strategic report (continued)

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

Centring ethics, inclusion and climate justice in our work

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

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

2023 - 2024 Organisational Priorities

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

Business Development

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

Programming

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

Environment

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

People

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

Audiences

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

Strategic report (continued)

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

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

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

2024 - 2025 Organisational Priorities

Business planning

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

Watershed Wild and Generous

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

Deliver new cinema and audience development strategy

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

Undershed

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

Finance Systems

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

Risk Management

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

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

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

Strategic report (continued)

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

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

Principal risks and uncertainties

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

Business Model

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

People and Culture

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

Building and Systems

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

Values

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

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

Development (Fundraising)

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

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

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

Strategic report (continued)

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

Financial review

Overview

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

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

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

Subsidiary Company Results

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

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

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

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

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

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

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

Strategic report (continued)

Financial monitoring and control

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

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

Watershed's income portfolio includes:

Programme Funds

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

Unrestricted Grants

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

General Fundraising

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

Commercial sales - Café/bar and Conference

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

Strategic report (continued)

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

Cinema sales

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

Property Income

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

Reserves policy

Watershed's Reserves Policy is reviewed annually by trustees.

Overview

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

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

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

Reserves

Watershed reserves are split into the following funds:

General Fund

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

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

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

Strategic report (continued)

Building Fund (Bristol +)

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

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

Designated Funds

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

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

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

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

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

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

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

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

Structure, governance and management

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

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

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

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

Strategic report *(continued)*

Statement of Trustees' responsibilities

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

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

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

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

Strategic report (continued)

Reference and administrative details

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

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

Trustees:	Stephen Gatfield, (Chair) Tricia Tuttle, (Deputy Chair) James Touzel Kate Arthurs, (Secretary) Sherrie Eugene Parys Gardener, appointed 26 July 2023 Sidharth Sharma Louise deCordova, resigned 10 October 2024 Louise Goux Wirth Charlotte Lester Jane Roscoe, resigned 28 June 2023
Secretary:	Kate Arthurs
Chief Executive Officer:	Clare Reddington
Charity number:	284188
Company number:	01608779
Registered Office:	1 Canon's Road, Harbourside, Bristol, BS1 5TX
Auditors:	A C Mole LLP, Stafford House, Blackbrook Park Avenue, Taunton TA1 2PX
Bankers:	HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA
Solicitors:	TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP

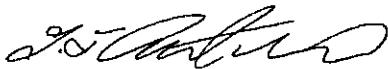
Disclosure of information to auditors

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

Auditors

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

By order of the Board



S Gatfield
Chair of the Board

1 Canon's Road
Bristol
BS1 5TX

Independent auditors' report to the members Watershed Arts Trust Limited

Opinion

We have audited the financial statements of Watershed Arts Trust Limited ('the parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the consolidated Statement of Financial Activities, the consolidated and parent company Statements of Financial Position, consolidated Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and the parent charitable company's affairs as at 31 March 2024 and of the group's income resources and application of resources, including its income and expenditure, for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, including the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report to the members Watershed Arts Trust Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditors' report to the members Watershed Arts Trust Limited

Identifying and assessing potential risks of material misstatement due to irregularities

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

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

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

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

Audit response to risks identified:

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

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

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

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

This description forms part of our auditor's report.

Independent auditors' report to the members Watershed Arts Trust Limited

Use of our report

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

Alexandra Shore

Alexandra Shore FCA DChA (Senior Statutory Auditor)

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

Date *11th December 2024*

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

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

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

Consolidated cash flow statement
for the year ended 31 March 2024

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

Analysis of changes in net debt

	At 1 April 2023 £	Cashflows £	At 31 March 2024 £
Cash	848,949	442,071	1,291,020
Total	848,949	442,071	1,291,020

Consolidated and Charity Balance Sheets

at 31 March 2024

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

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

S Gatfield

Chair of the Board



Notes to the financial statements

1. Accounting policies

Company information

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

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, which have been applied consistently.

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

Going Concern

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

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

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

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

Basis of consolidation

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

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

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

Notes to the financial statements (*continued*)

1. Accounting policies (*continued*)

Income

Voluntary income

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

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

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

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

Income from charitable activities

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

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

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

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

Donated services and facilities

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

Expenditure

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Leases

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

Stocks

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

Taxation

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

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

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

Fund accounting

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

Unrestricted funds

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

Restricted funds

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

Designated funds

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

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

Head lease

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Investments

Investment Properties

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

Investments in Subsidiary Undertakings (parent only)

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

Fixed assets and depreciation

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

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

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

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

Financial instruments

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

Basic financial assets

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

Basic financial liabilities

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Cash and cash equivalents

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

Foreign currency policy

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

Prior period adjustments

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

Valuation of head lease (investment property and fixed assets)

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

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

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

Notes (continued)

2. Grant and project income receivable (Group)

	Deferred as at 1 April 2023	Cash received & receivable 2023/24	Credited to Income & expenditure 2023/24	Deferred as at 31 March 2024
	£	£	£	£
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	-	54,000	(54,000)	-
Total Regular Grant Funding	-	811,984	(811,984)	-
Restricted				
Programme funding – grants				
British Film Institute	-	1,132,160	(1,107,160)	25,000
HE Sector	87,852	509,777	(525,792)	71,837
Other grants	506	171,708	(154,234)	17,980
Programme funding – other				
Other project funds	16,911	80,922	(97,833)	-
Other	-	105,000	(105,000)	-
Total programme funds	105,269	1,999,567	(1,990,019)	114,817

Notes to the financial statements *(continued)*

3. Financial activities of the charity

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

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

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

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

The assets and liabilities of the subsidiary were:

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

Notes to the financial statements (continued)

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

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

The assets and liabilities of the subsidiary were:

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

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

Notes to the financial statements (continued)

6. Allocation of support costs

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

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

7. Analysis of charitable expenditure

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

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

Notes to the financial statements (continued)

8. Staff numbers and costs

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

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

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

The aggregate payroll costs of these persons were as follows:

	2024	2023
Group	£	£
Wages and salaries	2,674,572	2,578,672
Social security costs	232,739	231,738
Pension costs	57,614	51,760
	<hr/>	<hr/>
	2,964,925	2,862,170
	<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 £95,650 (2023: £82,868). The key management personnel of the charity comprises the Chief Executive Officer.

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

9. Net movement on funds is stated after charging

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

Notes to the financial statements (continued)

10. Taxation

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

11. Tangible fixed assets

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

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

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

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

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

Notes to the financial statements (*continued*)

11. Tangible fixed assets (*continued*)

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

Notes to the financial statements (continued)

12. Fixed asset investments

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

Investment Properties

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

Investments in subsidiaries

The above shares represent equity investments in group undertakings.

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

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

13. Stocks

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

Notes to the financial statements (continued)

14. Debtors

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

All debtors are recoverable within one year.

15. Creditors: amounts falling due within one year

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

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

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

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

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

Notes to the financial statements (continued)

16 Creditors: amounts falling due after more than one year

	Group		Charity	
	2024	2023	2024	2023
	£	£	£	£
Other loans	29,690	29,690	29,690	29,690
Analysis of loans				
Wholly repayable within 5 years	29,690	29,690	29,690	29,690

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

17 Provisions and liabilities

Group	Deferred tax
	£
Differences between accumulated depreciation and capital allowances	
At beginning of year	3,485
Movement in the year	70
Deferred tax liability at end of year	3,555

The charity has no deferred taxation liabilities.

18 Financial instruments

The group and charity have the following financial instruments:

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

Notes to the financial statements (continued)

19 Unrestricted income funds

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

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

British Film Industry

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

Head Lease Fund

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

Capital Fund

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

Revaluation Reserve

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

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

Notes to the financial statements (continued)

20 Restricted funds: Group and Charity

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

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

Deferred capital grant

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

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

Garfield Weston capital grant

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

Other capital funds

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

Voluntary income and project funding from charitable activities

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

Notes to the financial statements (continued)

21. Analysis of fund balances – group

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

22. Operating leases as a lessee

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

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

23. Operating leases as a lessor

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

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

Notes to the financial statements (*continued*)

24. Related party transactions

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

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

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

Notes to the financial statements (*continued*)

25. Comparative statement of financial activities – as restated

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

Notes to the financial statements *(continued)*

26. Prior Year Adjustments

Classification of the head lease as a mixed use property

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

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

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

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

Impairment of development costs

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

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

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

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

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

