

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

**Report of the Council of Management  
and consolidated financial statements**

**Registered company number 01608779**

**Registered charity number 284188**

**Year ended 31 March 2014**

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## Report of the Council of Management

The Council presents its annual report and the audited consolidated financial statements for the year ended 31 March 2014. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and iShed 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 (revised 2005) (“the Charities SORP”).

### Objectives and Activities

The organisation has continued to fulfil the aims specified in its Memorandum of Association. Watershed Arts Trust Limited was incorporated to advance education, and increase appreciation and understanding of the arts (with particular reference to communication and media arts) amongst members of the public.

Over the past thirty-two years it has carried out these aims responding to changing cultures, audience expectations and operating environments. In the year, Watershed’s principal activities have continued to be the operation of cinemas, events (with particular emphasis on the digital media), cross-artform production and online publishing. Watershed acts as a cultural hub and broker using its skills and expertise in media and technology to play an enabling role across sectors of the wider creative economy, developing talent and promoting cultural exchange.

Watershed engages artists and audiences in cultural ideas through producing digitally-enabled cultural experiences. From world cinema to new forms of artistic practice, Watershed works at the intersection of culture, technology and community. Our emphasis on talent, accessibility and open innovation ensures that diversity remains a driving force within our work.

“Watershed is more than just an arts cinema. It is at once a cultural centre, a business broker, social networker, a research and innovation facility, a café/bar and a cultural tourist attraction.” UK Creative Economy Programme.

### Watershed’s Vision

To place cultural engagement, imagination and ingenuity at the heart of our lives believing that the route to better futures is open, disruptive and co-produced.

#### Values:

We are People Led : Entrepreneurial : Ambitious : Open : Celebratory

#### Our strategic approach:

- We identify, nurture and develop talent.
- We are rooted in Bristol with international reach and ambition.
- We connect artists and audiences with creative, cultural and commercial constituencies nationally and internationally.
- We embrace complexity to explore new ideas and experiences.
- We produce open collaborations which bridge expertise, imaginations and boundaries to promote emergent practice.
- We actively build and leverage creative networks, believing diversity of people, experience and culture is an asset.
- We act as an open gateway to cultural appreciation, production and experience for the young people of Bristol.
- We are a pathfinder to new value in the creative economy.
- We want you to enjoy and value the experiences.

#### Specific targets set for 2013/14

- Further develop the strategic collaboration with UWE and UoB and extend collaborations with the HE and creative industries sectors.
- Continue to foster talent development and provide support to individual artists wanting to explore opportunities with digital technology.
- Develop young talent and media literacy skills and create a progression participation route between creative media industry and young people.
- Continue to raise our profile as a key cultural venue through a quality programme of international cinema and media arts including the co-production of networks, festivals and events.
- Continue to work towards developing E & W sheds as a high quality cultural destination and creative industries hub.

## **Report of the Council of Management** *(continued)*

### **Achievements and performance**

Watershed is a major contributor to the creative and cultural landscape of Bristol. It commands respect as an innovator which actively opens doors to participation and connects people from diverse communities bridging culture and commerce, art and technology.

We continue to attract talent, reward curiosity and deliver distinctive value into a wider ecosystem.

During 2013/2014 the headline statistics were:

- Total visitors to Watershed for all purposes 300,000
- Paid admissions for screenings, talks and events 128,000
- Loyalty Card scheme members 7,800
- Young people attending events and workshops 3,500
- Artists and creatives supported 114
- Cultural and community organisations collaborating on projects 50
- University students engaged in study modules 64
- Academics collaborating on research projects 48
- Businesses collaborating on projects 30
- Website visitors 1,000,000

Highlight achievements from the year:

#### **Leading Independent Cinema**

Watershed is the lead organisation of one of the nine Film Hubs around the UK that are part of the BFI Film Audience Network (BFI FAN), a ground-breaking initiative developed by the BFI to enable organisations and film experts in the independent cultural exhibition sector to work in partnership to boost film audiences across the UK, particularly in the areas of specialised and independent British film.

Watershed is a space for cultural exchange that promotes engagement, enjoyment, diversity and participation in specialised film and media arts. Our approach is to do things 'with' people not 'for' people. Curation is approached with artists, partners and audiences in the spirit of co-production and dialogue underpinned by a rich quality of experience for all. In 2013-14, we built on a successful track record to create more choice and value, positively enhance access and foster dialogue through a rich programme of films, talks, events, festivals, projects, tours, debates at the venue and online.

- 345 Films (screenings & events) attracting 123,098 admissions
- 83 British titles including 26 screenings and Q&As with British Directors
- 50 BME events/screenings presented with BME groups including Afrika Eye attracting 2,927 admissions
- 20 LGBT screenings/events attracting 9,456 admissions
- 177 events targeted at young people attracting 3,470 admissions
- 30 school screenings attracting 1,631 students

45 countries represented: Denmark, USA, Germany, France, Belgium, Algeria, Italy, South Africa, Netherlands, Egypt, Australia, Japan, Ireland, Spain, Belarus, Russia, Latvia, Sweden, Brazil, Austria, Mexico, New Zealand, Israel, Chile, Singapore, Norway, Canada, Philippines, South Korea, Iceland, Saudi Arabia, Argentina, Jamaica, Iran, Romania, Czech Republic, Palestine, Poland, Afghanistan, Thailand, Laos, Switzerland, Lebanon, Trinidad and Tobago and the UK.

#### **Pioneering new music and film**

##### **Filmic**

A partnership between Watershed and St. George's exploring the creative connections across music and film. This year focused on influential musician Philip Glass including an expansive and insightful onstage discussion with conductor Charles Hazlewood. Glass talks about his creative collaborations, parallels between opera and film, art and entertainment. This was followed by a live performance of Etudes, a still-evolving series from the mid-90s. Events including Italian-Sudanese singer/songwriter Amira Kheir and experimental musician Mica Levi are published at <http://www.watershed.co.uk/dshed/filmic> creating a rich archive of musicians talking about their creativity across film and music.

## **Report of the Council of Management (continued)**

### **Cultural Diversity and Audience Development**

As part of Black History Month (October 2013), Watershed collaborated with curator Karen Alexander, partners Ujima Radio, TNB Bristol (part of the Arise & Shine Project supported by the National Lottery through BFI and Creative England) and Afrika Eye to curate, promote and present a selection of films and events celebrating the enormous impact that the Black experience, heritage and culture has had and continues to have. This co-curated strand forms part of a long-term strategy of presenting diverse cinema and growing diverse audiences (admissions: 700).

“There are Black History Month events – film and otherwise – all over the country, but Bristol has the best of them”  
The Guardian Guide, Steve Rose, 5 Oct.

This programming partnership also presented a range of opportunities from in-venue discussions to twitter debates for audiences to engage with the issues raised by Steve McQueen's *12 Years a Slave*. These have been published online and create a diverse range of audience engagements with a powerful depiction of slavery. <http://www.watershed.co.uk/dshed/12-years-slave>

“We didn't just watch a film, we shared an emotional, cinematic and personal journey together. Quite frankly cinema-going will never be the same again.” *Roger Griffith, Ujima Radio on watching 12 Years A Slave at Watershed.*

### **Producing new experiences**

#### **BTQ Commissions**

A series of artist commissions to animate Bristol Enterprise Zone and raise the profile promoting inward investment from creative digital businesses. With no venues in the area Watershed made use of pop-ups in public spaces and empty buildings plus permanent work at Temple Meads Station to deliver an extraordinary range of work from *Give Me Back My Broken Night*, a theatrical guided tour, not of the historic past, but of the future of the city by FUEL, *Uninvited Guests* and *Circumstance*, to 3D Pixelated sculpture *Maya* by Luke Jerram.

“Bristol was seen as being creative and ‘doing things differently’ by using its cultural identity to raise the profile of its Enterprise Zone.” Catherine Frankpitt West of England LEP.

As part of ‘Animating the Zone’ Watershed presented *Submergence* an interactive large-scale light installation in Bristol Temple Quarter. This was part of a collaborative initiative co-ordinated by Watershed and funded by Arts Council England, designed to attract new audiences into Bristol Temple Quarter in the early stages of the regeneration programme with a series of creative and digital commissions. Watershed produced *Submergence* made by digital artists and Studio residents SquidSoup. Over 6,000 visitors experienced the spectacular premiere which has gone on to tour internationally.

“A very simple but beautiful concept in this very complicated world! I loved it, thank you.” Visitor Book comment.

### **Nurturing young talent**

In 2013/14, activities targeted at young people (including film screenings) engaged 3,470 people.

#### **Future Producers Programme**

Future Producers is an annual talent development programme for 18 – 25 year olds. Mentored by industry professionals, the young people lead on the design and delivery of Watershed programmes, with highlights including last year's sold-out, whole-building immersive experience of *The Shining*. Through a programme combining external speakers and internal opportunities, participants develop the skills and competencies associated with being a producer in the cultural and arts sector. In 2013, Watershed also delivered Future Producer Plus giving participants the opportunity to achieve a Gold Arts Award and further develop their creativity, communication, planning, teamwork and leadership skills.

<http://www.watershed.co.uk/dshed/future-producers/preview>

“You've given me so many opportunities... Everything I've written on my UCAS form has happened through Watershed.” Tessa age 18.

**Schools screenings** special screenings, outside of normal programming hours, to accommodate schools' requests for films (30 screenings, attendance 1,631).

**Cinékids** monthly screenings and workshops. In the year, 19 events took place attracting 327 participants.

## Report of the Council of Management (*continued*)

**Bristol Youth Links** - In 2013, Watershed was commissioned by Bristol City Council to create and run their digital youth service for five years. To do this we have chosen to work with young people to create an online platform that shouts about youth culture in the city and digs deep into serious issues that they face. Over the next three years, Watershed will employ 16 young people to work as paid citizen journalists and documenters on the project. This ground breaking programme of co-development sets new standards for how public institutions learn from, interface with and support young people. Four young journalists have been appointed and consultations with young people took place to shape the project and generate ideas for an online magazine in February 2014. <http://www.watershed.co.uk/bristol-youthlinks>

Watershed presented the first **danceroom Spectroscopy** Festival in Bristol. For the first time this brought together the dance performance and science education dimensions of this multi-faceted art + science, engagement + research project. <http://danceroom-spec.com>

As part of the dS Festival the team led by Dr David Glowacki worked with local Bristol school Fairfield to design an interactive dance and science education experience for Year 9 students. With support from the Royal Society of Chemistry we have created a series of 4 short films shot during the dS Festival which introduce the behaviour and characteristics of atmospheric molecules culminating in an explanation of why CO<sub>2</sub> is such an effective greenhouse gas.

<https://www.youtube.com/playlist?list=PLLnAFJxOjzZtMEHuihPwwYMaTIgI4mnaG>

### Showcasing new talent

DepicT! is Watershed's high-profile online micro short film competition for new and emerging creative talent. The concept is simple – come up with a compelling, imaginative idea and distil it into 90 seconds. The goal is to uncover distinctive voices and new creative talent and to offer them a prime industry platform at Encounters Short Film and Animation Festival, the UK gateway to the world's foremost short film and animation awards, including the Academy Awards®, BAFTA, Cartoon D'Or and the European Film Awards. We work with partners to give films maximum exposure including Channel 4, BBC Big Screens, cinema tours and international showcases with British Council support.

'There's something about the 90 second format – longer than a commercial, but shorter than a short – that seems to bring out a really high level of invention and experimentation in all the filmmakers.'

*DepicT! 2012 Winner Mole Hill*

### Graduate and new talent residencies

We offer a unique opportunity for recent graduates, or people starting out in their careers, to develop an original idea with the support of the Pervasive Media Studio producers and collaborators. A recent success is Adam Place who joined the Studio on a residency in 2010 to develop his idea for a revolutionary new electronic instrument. Three years on and his company nuDesine is launching the AlphaSphere in China, Japan and the UK this year, with the USA to follow next year.

'The Studio was the first real break to making something happen.'

*Adam Place, nuDesine AlphaSphere*

### Artist Residencies

Watershed hosts a number of Artists Residencies each year. Residencies are based at the Pervasive Media Studio and offer practitioners' time to explore, share and make new work. Past residents have come from varied disciplines including craft, choreography, magic, music, visual arts, robotics, theatre and many more. Residencies take place over a structured two-month period, but our support often runs beyond this timeframe:

Heidi Hinder is an artist with a focus on jewellery design. She received a Craft and Technology Residency to develop Money No Object, an exploration of using human interactions (like touch, dance, hugs) as triggers for digital payments systems. Since completing the residency, which was produced in partnership with the Crafts Council, she has presented at high profile events in both the cultural and the finance sector and secured development funding from the Awesome Foundation, Birmingham City University and Unltd. She continues to be resident in Pervasive Media Studio and is also developing the project with London's V&A Museum.

"Through Watershed I've met whole networks of people who have opened new doors for me, leading to new avenues for my work. The residency has given me more credibility, created new opportunities and totally changed my career path." Heidi Hinder.

## **Report of the Council of Management** *(continued)*

### **Magicians in Residence**

In September 2013 Watershed welcomed magicians Stuart Nolan and Kieron Kirkland who joined Watershed's Pervasive Media Studio as our first ever Magicians in Residence. Over two months, these two amazing practitioners conjured up creative ideas that blended technology, interaction design, magic and illusion, supported by Watershed and the University of Bristol.

Kieron Kirkland is a professional magician, technologist, theatre practitioner and researcher with a significant performing history including close-up and stage (Globe Theatre, Tobacco Factory, Punchdrunk, Stand and Stare). He has also worked as ASM for Derren Brown. Throughout his residency Kieron researched the synergies and opportunities between magic and the maker movement. Stuart Nolan is an applied magician with a background in performance, cell biology, interactive media, experience design, programming, technology development, academic research, playful and performative facilitation, and education. Since a NESTA Fellowship in 2002, he has collaborated with others to apply techniques, tools, and insights from the arts of performance magic to a variety of other creative fields including installation art, architecture, visual design, game design, software design, media, sport, and performance arts. Stuart explored how to track subconscious muscle responses to create a friendly mind-reading robot pet.

<http://www.watershed.co.uk/dshed/magicians-residence>

### **Arts Award – The Playable City**

A completely new £30,000 international award asking artists to respond to the growing interest in smart cities and the internet of things, through creativity, playfulness and engagement. Hello Lamp Post beat 100 other entries from around the world to win the first award. After two months animating the streets of Bristol, it's been nominated as one of the designs of the year at the Design Museum, and showcased at FutureEverything and SXSW in Austin Texas. The successful approach has now extended to a Playable City collaboration with Recife, mixing UK and Brazilian artists and producers as part of the British Council's Transform programme.

### **Sandbox innovation methodology**

In 2008, Watershed created and produced Media Sandbox, a funding scheme designed to develop early-stage ideas, without pre-determining their value. With an emphasis on knowledge-sharing through labs, events, blogs and social media, the scheme also offered access to peer support and industry expertise. Watershed went on to run Media Sandbox on an annual basis, and in 2010 added Theatre Sandbox, a national scheme supporting theatre companies to explore pioneering ideas using new technologies.

"Theatre Sandbox, the crucible where present and future theatre meet and spark." Lyn Gardner, The Guardian.

Most recently, the Sandbox methodology became the linchpin of REACT, one of four UK Knowledge Exchange Hubs funded by the Arts and Humanities Research Council. With Heritage Sandbox, Books & Print Sandbox, Future Documentary Sandbox and Objects Sandbox completed, the programme has integrated academic research with creative R&D in four major sectors.

"It is no exaggeration to say that in five months the Sandbox has delivered as much as some mainstream publishers have done in five years." George Walkley, Hachette.

Since Sandbox began the methodology has been shaped and developed into a highly effective open-innovation system that delivers results in a compressed timeframe. The latest iteration was Future Documentary Sandbox, which supported six collaborations to explore how the overlap between broadcast and the internet is disrupting documentary media. Since completing Sandbox, Matt Golding and the team behind Risk Takers Survival Guide have won the Ramillas Interactive Fund Pitch at Sheffield Doc/Fest, the Quipu team also secured a further €10,000 from Ramillas and Jeannie Finlay has secured support from BBC Storyville Creative England and Ffilm Cymru Wales to complete Orion for TV Broadcast in 2015.

"Confidence comes from working around like-minded people and being given space, enthusiasm and feedback to try out new ideas. Watershed allows you to get things done without compromising your creativity." Simon Johnson, Slingshot.

### **The Pervasive Media Studio**

In 2013/14 the Pervasive Media Studio community comprised 131 residents and hot desks and a wider community of 238 collaborators. The Studio continued to provide space and access to new technologies and technical expertise to facilitate the exploration of media based projects and the development of new cultural and creative industries collaborations.

The support provided by the PM Studio has created an active alumni group that helps to support rising new talent and ideas. In 2013/14 the alumni group grew to 223.

## **Report of the Council of Management (continued)**

### **Knowledge Exchange and Sharing – No Boundaries**

No Boundaries took place on 25 and 26 February 2014. It was an open symposium attended by 400 delegates that considered the premise that the cultural map was being re-drawn by new behaviours, new technologies, new models of funding and new local, national and global thinking.

No Boundaries was produced by Watershed and supported by Arts Council England and the British Council as part of their commitment to convene and strengthen cultural organisations in the UK and internationally. By sharing provocative ideas from a diverse range of sources, new models, methods and collaborations will grow to shape the future of the arts. The debate built from October 2013 onwards culminating in a two-day event held simultaneously in York and Bristol. No Boundaries was a State of the Arts event. State of the Arts has evolved from the Arts Council's single annual conference to become a series of diverse activities encouraging thought leadership in the arts and cultural sector and providing platforms to develop new ideas and respond to the political, social and economic developments in the outside world.

<http://nb2014.org/>

*"Have been telling everyone that NB was the best conference I have been to in a decade."*

Russell Willis Taylor President & CEO National Arts Strategies.

### **Monitoring and Evaluation**

Watershed evaluates its performance on a regular basis to ensure that it stays relevant to its audiences, artists and collaborators and keeps abreast of emerging trends and technologies. Regular self-evaluation has helped ensure that Watershed has maintained and strengthened its position as a cultural leader over the last decade.

Working with Anne Millman Associates, Watershed has developed an organisational evaluation framework to help tell its story and develop robust data capture systems to embed a programme of continuous user research. The outcome of this work is an evaluation cycle that goes from strategic planning, KPI's and knowledge needs to clarification around initiation, collection and investigation (qualitative & quantitative) analysis, aggregation to dissemination. Watershed is in the process of completing the pilot project for the framework the results of which will be shared throughout the organisation and rolled out in a monthly online metrics dashboard. The primary aim of the pilot project is to test these new, integrated methods of data-capture and analysis and to assess their success and viability.

Watershed is also an active participant in the 3<sup>rd</sup> stage of Culture 24's Let's Get Real action research and the Audience Finder research programme around sharing data.

A working party has been established to look at monitoring and evaluation of "online" in the context of the work undertaken to date.

In the year, work commenced on exploring in more detail visitors' usage of the watershed.co.uk website - and using that to focus on developmental priorities for the website. Insights gained from this have led Watershed to experiment with the positioning of related content on "What's On" film pages and being able to double the number of additional pages that users visit. This insight will inform future development of the website and raises the value of Data Driven Decision-making.

As part of the wider strand of reporting, work is ongoing to start building up a monthly digital metrics report from watershed.co.uk. The reporting will provide a broad snapshot of online activity which will help to provide an overview of general trends and activity and highlight areas for further investigation.



**Report of the Council of Management (continued)**

**Financial review**

The consolidated balance sheet set out on page 18 shows an increase in unrestricted income funds (undesignated) of £2,332 in the year (2013: a decrease of £74,699). This represents an improving picture partly attributable to Watershed’s success in securing two new potentially long term partnerships (detailed later).

The consolidated results set out on pages 16 to 34 show a deficit of £156,609 (2013: deficit of £233,641) for the year. The deficit on unrestricted funds for the year totalled £53,412 (2013: deficit of £130,445). Further details are set out in notes 19 and 20.

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

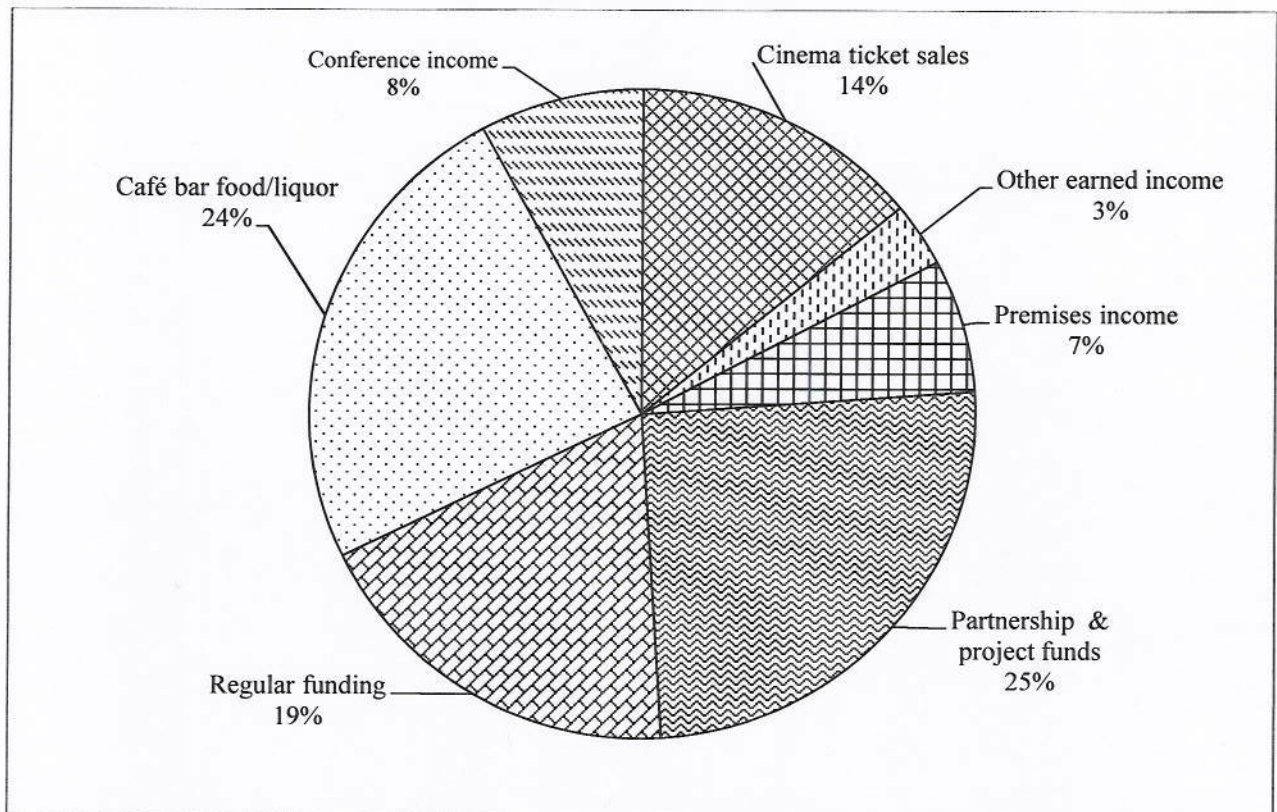
**Watershed Trading Limited** generated profits before tax of £15,837 (2013: £4,292) and made donations of £33,393 (2013: £117,932) through gift aid to the Charity. The two main sources of income generation for the Trading company are:

- Café/bar food and liquor sales totalled £1,090,607 (2013: £1,078,118). Sales overall show a small increase on the previous year attributable to a 7% increase in liquor sales partly offset by a 3% decrease in food sales. In the year the liquor offer was reviewed and profit margins were increased as a result of this. An increase in food costs and reduced sales levels over the summer period led to reduced profit margins on food sales in the year. However, Watershed continues to implement stringent control processes, careful product selection and a flexible menu design in order to maintain reasonable profit margins and the final quarter of the year saw profit margins brought back into line.
- Conference sales totalled £359,551 (2013: £347,793) - an increase of 3%. During the year Watershed’s conference offer and standards of service were reviewed. New services, such as wedding ceremonies, were made available and conference menus were reviewed to improve the standard of service. Watershed has received much positive feedback from its clients and Watershed expects to see the benefits of its enhanced offer in the coming year.

The charity’s wholly owned subsidiary, **iShed CIC**, continued to support the development of talent, providing support to explore the potential of new technologies, and undertook projects to promote collaboration between artists and the creative industries.

iShed CIC generated profits before tax of £2,817 (2013: £3,185) and total revenue of £318,756 (2013: £327,709).

The principal funding sources for the Watershed Group are shown in the pie chart below.



## **Report of the Council of Management** *(continued)*

Watershed operates in a mixed economy and has a complex income portfolio. Self-generated income from cinema ticket sales (Arts Trust), head lease tenancies (Arts Trust) and Trading company sales accounted for 52% of turnover in 2013/14. Whilst Watershed's financial model is resilient it is sensitive to external forces such as changes in the market place and the general economic environment. Watershed acknowledges the importance of responding to change, listening to its audience and maintaining stringent financial controls to ensure that earned income sources are maximised.

Cinema ticket sales in the year totalled £636,210 (2013: £559,348). This is an increase of 14% on the previous year, achieved through thoughtful programming of a quality cultural cinema programme and strategic marketing. Film hire costs rose from 36% in 2012/13 to 38% in 2013/14 as a result of increased costs incurred on specific titles important to its cultural delivery due to the changing nature of film distribution deals.

In the year, Watershed let half of its vacant head lease unit to The Stable, an independent family friendly restaurant. The lease was completed in June 2013 and provides for a 12 month rent free period. In the latter part of the year Watershed entered into negotiation with Bristol City Council for a 5 year lease to the remainder of the vacant unit, to be used as a base for Green Capital 2015. The lease was completed on 2 June 2014 providing an immediate rental stream.

Whilst in 2013/14 Watershed incurred reduced rental income and additional costs as a result of the partial occupancy of its head lease units, moving forward into 2014/15 these units will be fully tenanted. This will not only provide increased rental income and full service charge recovery but will also achieve the diverse mix of businesses that Watershed set out to achieve on purchasing the head lease. The dockside walkway is no longer dominated by liquor orientated offers but contains a vibrant mix of cultural and café offers more conducive to Watershed's clientele.

One-off costs associated with the vacant head lease unit (service charges, professional fees and refurbishment costs) totalled £38,997. Profits from rental income continue to be applied to the charitable objectives of the Watershed Arts Trust Ltd.

One-off funding raised through partnership arrangements, project grants and service contracts accounted for 25% of turnover. This is an important source of revenue for Watershed, supporting much of its charitable operation. Watershed recognises the need to maintain a resilient financial model and works to improve self-sustainability, developing new income streams with a focus on national and international partnerships.

In 2013/14, Watershed commenced a three year contract with Bristol City Council to deliver a "virtual youth network" for the City providing a platform for young people to share ideas and activities. In addition, Watershed entered into a three year funding arrangement with the British Film Institute to become a Hub Lead Organisation as part of the national Film Audience Initiative to develop audiences for cultural cinema across the country. This new relationship with the BFI will help to underpin and expand the cultural cinema offer both nationally and for Watershed. These two potentially long term partnerships will have a significant impact on Watershed's operation in the future.

Watershed continued to develop relationships with the British Council and the higher education (HE) sector, in particular the University of the West of England (UWE) and the University of Bristol (UoB).

In 2013/14, Watershed secured funding to deliver the British Council's "Playable City" programme in Recife, Brazil. This forms part of the British Council's four year TRANSFORM programme connecting the UK and Brazil through the arts.

Watershed's formal 5 year collaboration agreement with UWE and UoB, which commenced in 2011/12, continued to support the running costs of the PM Studio enabling Watershed to develop these relationships and increase collaborations in the HE sector. This collaboration also underpins the PM Studio enabling Watershed to support a significant number of artists and creatives in developing new ideas around art and technology.

Watershed continued to develop relationships with regular funders Arts Council England and Bristol City Council in the year. This is the second year of Watershed's "National Portfolio" funding from Arts Council England as a national cultural provider and the second year of a three year funding commitment from Bristol City Council. These commitments underpin Watershed's key areas of activity and enable the organisation to move forward with its business plan and maintain its cultural offer.

## **Report of the Council of Management** *(continued)*

As relationships with these key partners continue to develop, Watershed now has a major opportunity for continuing growth and development. However, Watershed also acknowledges the need to develop new resource to achieve its ambitions and to meet public demand. To this end Watershed applied funds from the ACE Catalyst scheme to support the development of a “case for support” to raise funds through individual giving and private sponsorship. The scheme will be launched in 2014/15 focussing on the development of new and emerging talent to increase opportunity and enhance the overall public offer.

### **Financial monitoring**

In order to deliver financial stability and minimise risk, Watershed’s stringent budgeting process ensures that realistic margins and achievable income targets are set. Overhead costs are reviewed annually to ensure that savings are made wherever possible without compromising the quality of the offer. Achievements against financial targets are monitored on a monthly basis through the analysis of detailed management monthly accounts and various weekly income reports.

Cash flow is monitored on a weekly basis and a rolling annual forecast maintained.

These systems enable budget and cash flow problems to be spotted early on and action to be taken as appropriate to mitigate the impact.

### **Reserves policy**

The purpose of Watershed’s reserve fund is:

- to enable the uncoupling of Arts Trust spend from surpluses generated by the Trading operation;
- to provide resources for future development work to further the aims and objectives of the Arts Trust;
- to protect the Arts Trust from potentially declining levels of unrestricted core funding, to support governance costs;
- to provide resources for future capital investment;
- to protect against unpaid rental income and to ensure E & W sheds are maintained in an excellent state of repair.

In establishing the appropriate level of reserves for the charity the Trustees have considered forecast levels of income and expenditure for the coming years, the obligations and operational requirements of the charity and the likelihood and consequences of these requirements not being met.

The level of reserves required is considered to be £600,000, calculated as the costs of administering the charity and servicing E & W sheds for a six month period.

It is intended that this amount will be built up over a period of 5-6 years, through the development of a new financial model which will involve extending the rear of the premises to provide increased capacity to generate rental/events income.

In addition to this reserve fund, Watershed has established a designated development fund specifically to ring fence surpluses associated with the rental income from E & W sheds. At the end of the financial year 2013/14 Watershed has £111,644 in unspent funds from this source.

This designated fund is for the purpose of:

- preserving the heritage of E & W sheds;
- making improvements to E & W sheds and the immediate public realm;
- delivery of outputs in creative economy development in accordance with the Bristol+ Business Plan.

In 2011/12 a new designated fund was established to ring fence the balance of the head lease purchased with a capital grant from SWRDA in 2007. These funds became unrestricted in 2011/12. Watershed has £5,783,584 held in this fund. With the approval of the Council of Management, each year the sum of £55,744 is transferred from this designated fund to undesignated unrestricted funds to match the depreciation on the headlease.

The level of funds held in reserve, and the Trust’s requirements for such funds are reviewed annually by Watershed’s Trustees. The reserves policy was reviewed at the meeting of the Council of Management held on 26 June 2013.

At the end of 2013/14 free reserves totalled £122,710.

### **Plans for future periods**

Watershed has a strong reputation for producing inventive, experiential and ground-breaking art + technology experiences. The approach is open, flexible and relevant to audiences, artists, creative companies, technologists and researchers. We are distinctive in our attitude to curation: playfulness, resonance and care are key to our approach.

## **Report of the Council of Management** *(continued)*

### **Towards these objectives in 2014/15 Watershed will:**

Focus on the following key programme areas:

- Talent discovery and development
- Emergent voices and emergent practice enabled by technology
- World cinema and cultural representation
- Diversity and collaboration driving engagement, invention and enterprise

Focus on the following key themes:

- Playable City
- Young Voices
- New Talent
- Emergent Practice

Focus on the following target groups for audience development:

- Existing audiences to engage more deeply across our programme and advocate for us
- BME audiences through targeted co-curation and partnership
- Young people to explore their creative potential and to inform/disrupt our offer

Take the following business approach to build resilience:

- Arts Trust full cost recovery project pricing to achieve break-even
- Trading quality offer with consistency of margin to deliver surplus
- iShed develop exploitation potential
- Staff investment to build retention and recruitment potential
- Develop fundraising to invest in talent and emergence
- Systemic drive to reduce environmental impact
- Capital programme to make building more flexible and reduce costs

## **Structure, governance and management**

Watershed Arts Trust Limited, a registered charity and company limited by guarantee, is governed by its memorandum and articles of association dated 19 January 1982. The Charity has two wholly owned subsidiaries, Watershed Trading Limited, which operates conference, restaurant and bar facilities, and iShed CIC, which initiates and supports innovation and collaboration in the creative economy.

Watershed's governance structure is established to reflect and support the Group structure and its organisational core values and culture. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

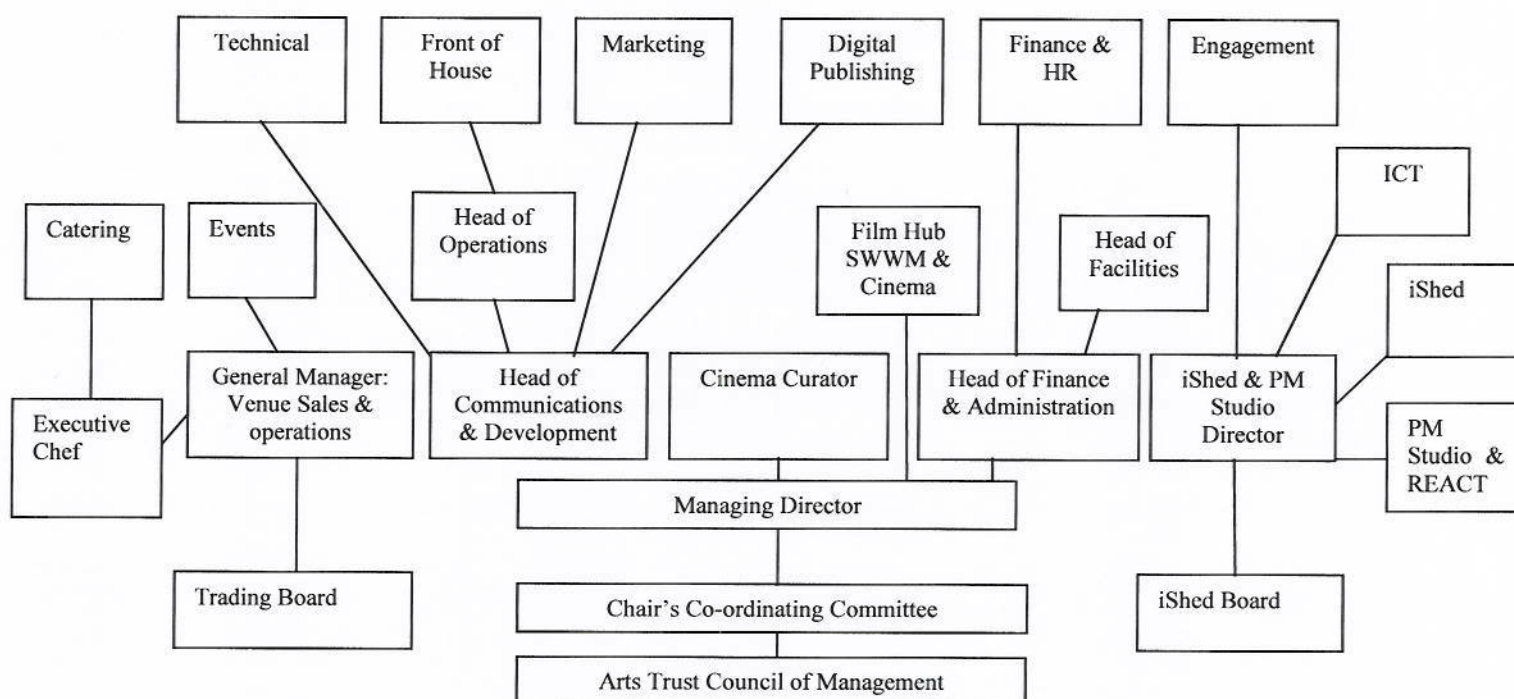
The Charity is administered by a Council of Management (CoM), which meets bi-monthly. In addition a Chair's Co-ordinating Committee meets prior to the CoM meeting. The group maintains an overview of Watershed's finances and the direction of the organisation as a whole. It provides a vital link between the individual boards ensuring that the group remains a consolidated unit with shared vision and values and comprises the Chair of the CoM, the Chairs of the subsidiary companies (iShed CIC and Watershed Trading Limited) together with representatives from Watershed management and the CoM finance representative. A Managing Director is appointed by the members to co-ordinate the operations of the Charity and focus on strategy.

Potential CoM members are sought in line with Watershed's requirements for expertise in specific areas; potential members are actively sought out and invited to attend meetings of the CoM 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.

## Report of the Council of Management (continued)

Watershed's organisational structure in 2013/14 is shown in the diagram below. Following the appointment of the new senior management post of General Manager: Venue Sales and Operations in 2012/13 and the establishment of Watershed as a Hub Lead Organisation for the BFI's national Film Audience Initiative, management responsibilities have been reviewed in the year. A further review of Watershed's governance and management structure will be undertaken in 2014/15 to ensure that it remains fit for purpose.

There are five senior managers reporting to the Managing Director. There are two other senior managers, one reporting to the Head of Finance and Administration and one to the General Manager: Venue Sales and Operations. Senior managers take responsibility for the day-to-day operation of the Arts Trust, Trading and iShed operations. The Managing Director focuses on strategy and co-ordination of the group.



In addition to its core staffing, Watershed works flexibly with a number of freelance contract staff to direct and facilitate work on a project basis.

Watershed maintains an Investors in People status and invests in a continuous programme of staff development, seeking to optimise the potential of each individual and to efficiently deliver organisational objectives.

Equality is a key focus of the Watershed offer and begins with employment practice. Watershed maintains a strict equalities policy which is reviewed on an annual basis.

### Risk management

Watershed recognises that it is not possible to avoid risk if the organisation is to develop innovatively and grow. Watershed's business plan outlines and assesses the major risks which Watershed faces in delivering its development programme and the actions required in order to minimise the impact of a risk should it materialise.

As indicated in the business plan, Watershed's risk management strategy involves maintaining:

- procedures to effectively reduce identified risks;
- procedures to ensure early detection of identified risks;
- procedures to minimise the impact on the organisation should identified risks materialise;
- an annual review of the risks facing the organisation.

The Trustees consider that adequate controls are in place to mitigate the key risks identified.

## **Report of the Council of Management** *(continued)*

### **Statement of responsibilities of the Trustees of Watershed Arts Trust Limited in respect of the Council of Management 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 Council of Management 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. iShed CIC was incorporated on 12 February 2007.

The members of the Council of Management who served during the year and who constitute directors for Companies Act purposes are listed below.

#### **Elected Trustees**

Dr. D. Price (Chair)

P. Appleby

L. Bilbe

D. Bunyan

Dr. J. Chakrabarti-Gallemore

A. Gilkison

C. Garcia (resigned 11 Dec 2013)

S. Gatfield (appointed 25 June 2014)

S. Luton

R. Saint (resigned 11 Dec 2013)

J. Touzel

S. Wilson

#### **City Council nominees**

Clr. Pete Levy (appointed 25 September 2013)

Clr. Estella Tincknell (appointed 25 September 2013)

Clr. Helen Holland (resigned 11 December 2013)

Clr. Mark Wright (resigned 11 December 2013)

**Report of the Council of Management** *(continued)*

**Secretary:** J. Touzel  
**Managing Director:** Dick Penny  
**Charity number:** 284188  
**Company number:** 01608779  
**Registered Office:** 1 Canon's Road, Harbourside, Bristol, BS1 5TX  
**Auditors:** Saffery Champness, St. Catherines Court, Berkeley Place, Clifton, Bristol, BS8 1BQ  
**Bankers:** HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA  
**Solicitors:** TLT LLP, 1 Redcliff Street, Bristol, BS1 6TP

**Disclosure of information to auditors**

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

**Auditors**

Watershed's Council of Management re-appointed auditors Saffery Champness at its Annual General meeting held on 11 December 2013.

By order of the Board



**D Price**  
*Member of the Council of Management*

1 Canon's Road  
Bristol  
BS1 5TX

Date 24/9/2014

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

We have audited the financial statements of the group and charity of Watershed Arts Trust Ltd for the year ended 31 March 2014 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 the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and the charitable company's trustees, as a body, in accordance with Section 151 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 13, 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.

We have been appointed as auditors under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report to you in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2014 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 requirements of the Companies Act 2006 and the Charities Act 2011.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, 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.

Michael Strong  
Senior Statutory Auditor, for and on behalf of  
Saffery Champness  
Statutory Auditor  
Chartered Accountants

St. Catherines Court  
Berkeley Place  
Clifton  
Bristol, BS8 1BQ

*Michael Sf*  
*28th November 2014*



**Consolidated statement of financial activities (including an income & expenditure account)**  
*for the year ended 31 March 2014*

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Total Funds 2014 £	Total Funds 2013 £
<b>Incoming resources</b>					
<b><i>Incoming resources from generated funds</i></b>					
<i>Voluntary income</i>					
Grants	3	13,560	41,432	54,992	64,247
Donated services		-	40,866	40,866	18,884
Activities for generating funds	5/6	1,480,674	-	1,480,674	1,456,406
<i>Investment income:</i>					
Interest receivable		1,848	-	1,848	1,290
		<u>1,496,082</u>	<u>82,298</u>	<u>1,578,380</u>	<u>1,540,827</u>
<b><i>Incoming resources from charitable activities</i></b>					
Earned income from cinema activities		671,385	-	671,385	591,717
Rental income		116,762	-	116,762	132,443
Service charges		88,513	-	88,513	96,895
Other earned income		144,349	-	144,349	82,353
Project funds	3	-	850,938	850,938	769,437
Regular grant funding	3	1,063,581	-	1,063,581	990,000
		<u>2,084,590</u>	<u>850,938</u>	<u>2,935,528</u>	<u>2,662,845</u>
<b>Total incoming resources</b>		<u><b>3,580,672</b></u>	<u><b>933,236</b></u>	<u><b>4,513,908</b></u>	<u><b>4,203,672</b></u>
<b>Resources expended</b>					
<b><i>Costs of generating funds</i></b>					
Costs of generating voluntary income	7	(9,323)	-	(9,323)	(8,186)
Commercial trading operations	5	(1,268,930)	-	(1,268,930)	(1,170,759)
		<u>(1,278,253)</u>	<u>-</u>	<u>(1,278,253)</u>	<u>(1,178,945)</u>
<b><i>Charitable Activities</i></b>					
Operation of cinema and digital media projects	8	(1,985,137)	(892,370)	(2,877,507)	(2,751,327)
Donated services		-	(40,866)	(40,866)	(18,884)
CIC operation	6	(316,005)	-	(316,005)	(323,782)
Property management costs		(102,202)	-	(102,202)	(120,643)
<b>Governance costs</b>	7	(55,684)	-	(55,684)	(43,732)
<b>Total resources expended</b>		<u><b>(3,737,281)</b></u>	<u><b>(933,236)</b></u>	<u><b>(4,670,517)</b></u>	<u><b>(4,222,556)</b></u>
Net outgoing resources before transfers and Net expenditure for the year		(156,609)	-	(156,609)	(233,641)
Transfers between funds	19	103,197	(103,197)	-	-
Net movement in funds		<u>(53,412)</u>	<u>(103,197)</u>	<u>(156,609)</u>	<u>(233,641)</u>
<b><i>Reconciliation of funds</i></b>					
Total funds brought forward		6,071,350	1,770,403	7,841,753	8,075,394
<b>Total funds carried forward</b>		<u><b>6,017,938</b></u>	<u><b>1,667,206</b></u>	<u><b>7,685,144</b></u>	<u><b>7,841,753</b></u>

Incoming resources and resulting net movement in funds in each year arise from continuing operations. The group has no recognised gains or losses for the current or previous year other than those shown above. The notes on pages 19 to 34 form part of these financial statements.

**Consolidated cash flow statement**  
*for the year ended 31 March 2014*

	2014	2013
	£	£
<b>Net cash inflow from operating activities</b>	<b>211,739</b>	<b>188,833</b>
Returns on investments and servicing of finance	1,848	1,290
Taxation paid	(1,500)	(1,999)
Capital expenditure and financial investment	(83,503)	(81,196)
	<hr/>	<hr/>
<b>Increase/(decrease) in cash</b>	<b>128,584</b>	<b>106,928</b>
Cash at bank and in hand at beginning of year	532,382	425,454
	<hr/>	<hr/>
Cash at bank and in hand at end of year	<u>660,966</u>	<u>532,382</u>
 <b>Reconciliation of operating profit to net cash flow from operating activities</b>		
	2014	2013
	£	£
Net (outgoing)/incoming resources	(156,609)	(233,641)
Tax on ordinary activities	4,460	2,023
Interest receivable	(1,848)	(1,290)
Depreciation charges	249,510	235,185
Change in stocks	(72)	(860)
Change in debtors	(273,527)	125,723
Change in creditors	389,825	61,693
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>211,739</b>	<b>188,833</b>
	<hr/>	<hr/>
 <b>Reconciliation of net cash flow to movement of net funds</b>		
	2014	2013
	£	£
Increase/(decrease) in cash in period	128,584	106,928
	<hr/>	<hr/>
Change in net funds	128,584	106,928
Net funds at 1 April 2013	452,382	345,454
	<hr/>	<hr/>
Net funds at 31 March 2014	<u>580,966</u>	<u>452,382</u>

**Reconciliation of changes in net funds**

	At 1 April 2013	Cash flows	Non-cash movements	At 31 March 2014
	£	£	£	£
Net cash:				
Cash in hand and at the bank	532,382	128,584	-	660,966
Debt:				
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(80,000)	-	-	(80,000)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net funds</b>	<b>452,382</b>	<b>128,584</b>	<b>-</b>	<b>580,966</b>
	<hr/>	<hr/>	<hr/>	<hr/>


The notes on pages 19 to 34 form part of these financial statements.

## Consolidated and company balance sheets

at 31 March 2014

	Note	Group		Charity	
		2014 £	2013 £	2014 £	2013 £
<b>Fixed assets</b>					
Tangible assets	12	7,702,956	7,868,963	7,676,568	7,856,787
Investments	13	-	-	50,101	50,101
		<u>7,702,956</u>	<u>7,868,963</u>	<u>7,726,669</u>	<u>7,906,888</u>
<b>Current assets</b>					
Stocks	14	19,086	19,014	-	-
Debtors	15	508,189	234,597	425,364	240,089
Cash at bank and in hand		660,966	532,382	497,325	293,511
		<u>1,188,241</u>	<u>785,993</u>	<u>922,689</u>	<u>533,600</u>
<b>Creditors: due within one year</b>	16	<u>(1,122,343)</u>	<u>(732,680)</u>	<u>(933,183)</u>	<u>(553,510)</u>
<b>Net current assets</b>		<u>65,898</u>	<u>53,313</u>	<u>(10,494)</u>	<u>(19,910)</u>
<b>Total assets less current liabilities</b>		<u>7,768,854</u>	<u>7,922,276</u>	<u>7,716,175</u>	<u>7,886,978</u>
<b>Creditors: due after more than one year</b>	17	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>
<b>Provisions for liabilities and charges</b>	18	<u>(3,710)</u>	<u>(523)</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>7,685,144</u>	<u>7,841,753</u>	<u>7,636,175</u>	<u>7,806,978</u>
<b>Unrestricted income funds - general</b>	19	122,710	120,378	73,741	85,603
<b>Bristol + unrestricted designated fund</b>	19	111,644	111,644	111,644	111,644
<b>Head lease unrestricted designated fund</b>		5,783,584	5,839,328	5,783,584	5,839,328
<b>Restricted capital funds</b>	20	1,667,206	1,770,403	1,667,206	1,770,403
<b>Total funds</b>		<u>7,685,144</u>	<u>7,841,753</u>	<u>7,636,175</u>	<u>7,806,978</u>

These financial statements were approved by the Council of Management on 24/9/2014 and were signed on its behalf by:



**D Price**  
Member of the Council of Management

The notes on pages 19 to 34 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

The financial statements have been prepared under the historic cost convention and in accordance with applicable accounting standards including the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2005) published in March 2005, and the Companies Act 2006.

#### ***Basis of consolidation***

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), and Watershed Trading Limited and iShed CIC, its wholly owned trading subsidiaries made up to 31 March 2014.

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 5 and 6 to these financial statements.

In accordance with the provisions of s230 of the Companies Act 2006 and paragraph 397 of the SORP, the charity is exempt from the requirement to present its own income and expenditure account and Statement of Financial Activities.

#### ***Grants***

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 incoming resources from generating funds. Revenue grants received for specific creative projects are categorised as incoming resources 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***

Income in furtherance of the charity's 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.

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 iShed 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 charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***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 Council of Management 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***

A designated fund has been established to ring fence surpluses associated with the rental income from E & W Sheds. These funds will be applied to the charitable activities of the Arts Trust with particular emphasis on supporting the economic growth of the creative sector as a whole.

In 2011/12 a designated fund was established to hold the headlease of the properties funded by a capital grant from SWRDA (see note 19).

##### ***Subsidiaries***

Details of subsidiary undertakings owned by the charity are disclosed in notes 5 and 6.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

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

Acquisition of lease                        The company had a 25 year lease from 31 March 1990. Depreciation is provided on a straight line basis from 31 March 1990.

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 Council of Management 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.

Acquisition of the Headlease to E and W sheds                    In March 2007 Watershed purchased the headlease to E & W sheds for its unexpired term of 111  $\frac{3}{4}$  years. The final price paid was £5.95 million. Depreciation is provided on a straight line basis over a 111  $\frac{3}{4}$  year period (the unexpired term of the lease).

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.

#### *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 profit and loss account.

### 2 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 2014 there were 11 members.

**Notes (continued)**

**3 Grant and project income receivable**

	Deferred as at 1 April 2013 £	Cash received & receivable 13/14 £	Credited to income & expenditure 13/14 £	Transferred to capital grants 13/14 £	Deferred as at 31 March 2014 £
<b>Incoming resources from generated funds</b>					
<b>Grants and sponsorship:</b>					
<b>Restricted</b>					
Arts Council England - Catalyst	32,541	93,000	(41,432)	-	84,109
<b>Unrestricted</b>					
Other grants – Europa Cinemas	-	13,560	(13,560)	-	-
<b>Total grants and sponsorship</b>	<b>32,541</b>	<b>106,560</b>	<b>(54,992)</b>	<b>-</b>	<b>84,109</b>
<b>Incoming resources from charitable activities</b>					
<b>Unrestricted</b>					
<b>Core grant funding</b>					
Arts Council South West	-	741,281	(741,281)	-	-
Bristol City Council	100,000	152,300	(252,300)	-	-
British Film Institute	-	70,000	(70,000)	-	-
<b>Total regular grant funding</b>	<b>100,000</b>	<b>963,581</b>	<b>(1,063,581)</b>	<b>-</b>	<b>-</b>
<b>Restricted</b>					
<b>Project funding - grants</b>					
Arts Council England	-	118,000	(118,000)	-	-
British Film Institute	1,849	317,855	(142,059)	-	177,645
European Funding	11,997	3,874	(15,871)	-	-
Other grants	15,574	75,974	(91,548)	-	-
<b>Project funding - other</b>					
Bristol City Council	18,757	242,000	(164,480)	-	96,277
AHRC (via REACT Hub universities)	-	137,167	(137,167)	-	-
British Council	-	65,543	(48,789)	-	16,754
European Funds	-	8,873	(8,873)	-	-
Other Project Funds	28,000	135,355	(124,151)	-	39,204
<b>Total Project Funds</b>	<b>76,177</b>	<b>1,104,641</b>	<b>(850,938)</b>	<b>-</b>	<b>329,880</b>
<b>Total</b>	<b>208,718</b>	<b>2,174,782</b>	<b>(1,969,511)</b>	<b>-</b>	<b>413,989</b>

**4 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 iShed CIC.

The gross incoming resources for the year ended 31 March 2014 for the charity was £2,871,995 (2013: £2,702,859). The overall net incoming resources for the year was a deficit of £204,196 (2013: deficit of £239,095), with a deficit of £100,999 (2013: deficit of £135,899) on unrestricted reserves.

**Notes (continued)**

**5 Trading subsidiary's results (Watershed Trading Ltd)**

	2014 Total £	2013 Total £
<b>Turnover</b>	1,494,967	1,472,341
Cost of sales	(1,115,861)	(1,036,867)
	<hr/>	<hr/>
<b>Gross profit</b>	379,106	435,474
Administration and other costs	(149,882)	(133,369)
	<hr/>	<hr/>
<b>Trading profit</b>	229,224	302,105
Other income	-	113
	<hr/>	<hr/>
<b>Net income</b>	229,224	302,218
Gift aid payment to Watershed Arts Trust Limited	(33,393)	(117,932)
Management charge from Watershed Arts Trust Limited	(179,994)	(179,994)
Tax on profit on ordinary activities	(3,187)	(523)
	<hr/>	<hr/>
<b>Retained profit for the year</b>	12,650	3,769
Retained profit brought forward	29,385	25,616
	<hr/>	<hr/>
<b>Retained profit carried forward</b>	42,035	29,385
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2014 Total £	2013 Total £
Fixed assets	26,388	12,176
Current assets	218,468	294,333
Creditors: amounts falling due within one year	(199,011)	(276,501)
Provisions for liabilities and charges	(3,710)	(523)
	<hr/>	<hr/>
<b>Net assets</b>	42,135	29,485
	<hr/>	<hr/>
<b>Equity shareholders' funds</b>	42,135	29,485
	<hr/> <hr/>	<hr/> <hr/>



**Notes** *(continued)*

**6 Trading subsidiary's results (iShed CIC)**

	2014 Total £	2013 Total £
<b>Turnover</b>	<b>318,756</b>	<b>327,709</b>
Cost of sales	<b>(145,344)</b>	<b>(176,094)</b>
	<hr/>	<hr/>
<b>Gross profit</b>	<b>173,412</b>	<b>151,615</b>
Administration and other costs	<b>(169,388)</b>	<b>(146,536)</b>
Other operating income	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Trading profit</b>	<b>4,024</b>	<b>5,079</b>
Other income	<b>-</b>	<b>13</b>
	<hr/>	<hr/>
<b>Net income</b>	<b>4,024</b>	<b>5,092</b>
Management charge from Watershed Arts Trust Limited	<b>(1,207)</b>	<b>(1,907)</b>
Tax on profit on ordinary activities	<b>(1,273)</b>	<b>(1,500)</b>
	<hr/>	<hr/>
<b>Retained profit for the year</b>	<b>1,544</b>	<b>1,685</b>
Retained profit brought forward	<b>5,390</b>	<b>3,705</b>
	<hr/>	<hr/>
<b>Retained profit carried forward</b>	<b>6,934</b>	<b>5,390</b>
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2014 Total £	2013 Total £
Current assets	<b>101,048</b>	<b>85,476</b>
Creditors: amounts falling due within one year	<b>(44,113)</b>	<b>(30,085)</b>
	<hr/>	<hr/>
<b>Net assets</b>	<b>56,935</b>	<b>55,391</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Equity shareholders' funds</b>	<b>56,935</b>	<b>55,391</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 7 Allocation of support costs

The Trust allocates its support costs as shown in the table below and then further apports those costs between the two charitable activities undertaken (see note 8). Support costs are allocated on a basis consistent with the use of resources.

	Charitable activities	Allocated to costs of generating voluntary income	Governance	Total
	£	£	£	£
<b>Support cost</b>				
General office	55,443	2,881	10,259	<b>68,583</b>
Finance office	116,143	6,442	31,397	<b>153,982</b>
External audit	-	-	13,778	<b>13,778</b>
Professional services	9,906	-	250	<b>10,156</b>
ICT costs	21,867	-	-	<b>21,867</b>
	<u>203,359</u>	<u>9,323</u>	<u>55,684</u>	<u><b>268,366</b></u>

### 8 Analysis of charitable expenditure

	Audience Engagement Programme	Cross art-form production	2014 Total	2013 Total
	£	£	£	£
Film hire costs	242,816	-	<b>242,816</b>	202,611
Front of house/projection costs	392,574	-	<b>392,574</b>	384,856
Direct programme/project costs	296,993	753,542	<b>1,050,535</b>	907,084
Marketing and publicity	211,988	169,507	<b>381,495</b>	413,565
Premises costs	204,797	163,758	<b>368,555</b>	401,871
Support costs	113,001	90,358	<b>203,359</b>	213,445
Depreciation	162,113	76,060	<b>238,173</b>	227,895
	<u>1,624,282</u>	<u>1,253,225</u>	<u><b>2,877,507</b></u>	<u>2,751,327</u>

**Notes** *(continued)*

**9 Staff numbers and costs**

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	
	2014	2013
Cinema and engagement programme	42	35
Administration	11	12
Catering	13	13
Bar	13	13
Conference	4	4
	83	77
	83	77

The aggregate payroll costs of these persons were as follows:

Group	2014	2013
	£	£
Directors' emoluments	42,254	42,282
Wages and salaries	1,811,475	1,770,153
Social security costs	153,001	149,282
	2,006,730	1,961,717
	2,006,730	1,961,717

The Trustees were not paid any remuneration or reimbursed for expenses during the year.

The emoluments of one employee, including benefits in kind, are within the range of £60,000 to £100,000 (2013 – there was only one employee whose emoluments exceeded £60,000).

**Notes (continued)**

**10 Net movement on funds is stated after charging**

	2014 £	2013 £
Auditors' remuneration – audit (Charity: £13,778)	26,604	21,827
Depreciation and other amounts written off tangible fixed assets	249,510	235,185
Hire of plant and machinery	5,165	4,321
	281,279	269,333

**11 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 subsidiaries Watershed Trading Limited and iShed CIC.

	2014 £	2013 £
<b>Current tax:</b>		
UK corporation tax on results of the year	1,273	1,500
<b>Deferred tax (see note 18)</b>		
Origination/reversal of timing differences	3,187	523
	4,460	2,023

*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 (20%), (2013: 20%). The differences are explained below:

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	18,654	7,478
	18,654	7,478
Current tax at 20% - Watershed Trading Ltd 20% - iShed CIC 20% (2013: 20%)	3,731	1,496
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	(3,187)	(944)
Other timing differences	-	-
Expenses not deductible for tax purposes	729	948
	1,273	1,500

**Notes (continued)**

**12 Tangible Fixed Assets**

<b>Group</b>	<b>Headlease £</b>	<b>Leasehold Improvements £</b>	<b>Plant, Equipment Furniture, Fittings £</b>	<b>Total £</b>
<i>Cost</i>				
At beginning of year	6,214,399	3,038,489	889,522	10,142,410
Disposals in the year	-	-	(71,728)	(71,728)
Additions	-	17,174	66,329	83,503
At end of year	<u>6,214,399</u>	<u>3,055,663</u>	<u>884,123</u>	<u>10,154,185</u>
<i>Depreciation</i>				
At beginning of year	375,071	1,152,864	745,512	2,273,447
Depreciation on disposals	-	-	(71,728)	(71,728)
Charge for year	55,745	102,595	91,170	249,510
At end of year	<u>430,816</u>	<u>1,255,459</u>	<u>764,954</u>	<u>2,451,229</u>
<i>Net book value</i>				
<b>At 31 March 2014</b>	<u><b>5,783,583</b></u>	<u><b>1,800,204</b></u>	<u><b>119,169</b></u>	<u><b>7,702,956</b></u>
At 31 March 2013	<u>5,839,328</u>	<u>1,885,625</u>	<u>144,010</u>	<u>7,868,963</u>

**Notes (continued)**

**12 Tangible fixed assets (continued)**

	Headlease	Leasehold improvements	Furniture and equipment	Total
Charity	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,038,489	798,252	10,051,140
Disposals in the year	-	-	(71,728)	(71,728)
Additions	-	17,174	40,780	57,954
At end of year	<u>6,214,399</u>	<u>3,055,663</u>	<u>767,304</u>	<u>10,037,366</u>
<i>Depreciation</i>				
At beginning of year	375,071	1,152,864	666,418	2,194,353
Depreciation on disposals	-	-	(71,728)	(71,728)
Charge for year	55,745	102,595	79,833	238,173
At end of year	<u>430,816</u>	<u>1,255,459</u>	<u>674,523</u>	<u>2,360,798</u>
<i>Net book value</i>				
At 31 March 2014	<u>5,783,583</u>	<u>1,800,204</u>	<u>92,781</u>	<u>7,676,568</u>
At 31 March 2013	<u>5,839,328</u>	<u>1,885,625</u>	<u>131,834</u>	<u>7,856,787</u>

The Trustee's review of the fixed assets has concluded that their value is not impaired.

**13 Fixed asset investment**

Shares	Charity 2014 £	Charity 2013 £
At the beginning of the year	50,101	101
Additions in the year	-	50,000
At the end of the year	<u>50,101</u>	<u>50,101</u>

The company owns 100% of the issued share capital of Watershed Trading Limited, 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 iShed CIC, 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. An additional £50,000 of shares in iShed CIC were issued in the prior year.

**14 Stocks**

	Group		Charity	
	2014 £	2013 £	2014 £	2013 £
Finished goods and goods for resale	<u>19,086</u>	<u>19,014</u>	-	-

**Notes (continued)**

**15 Debtors**

	<b>Group</b>		<b>Charity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	<b>256,110</b>	103,279	<b>190,437</b>	56,475
Prepayments and accrued income	<b>247,142</b>	107,010	<b>202,377</b>	51,257
Other debtors including taxation and social security	<b>4,937</b>	24,308	<b>4,677</b>	24,272
Amounts owed by group undertakings	-	-	<b>27,873</b>	108,085
	<u><b>508,189</b></u>	<u>234,597</u>	<u><b>425,364</b></u>	<u>240,089</u>

All debtors are recoverable within one year.

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

	<b>Group</b>		<b>Charity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	<b>271,872</b>	196,411	<b>226,080</b>	136,262
Other creditors including taxation and social security	<b>221,517</b>	156,902	<b>128,662</b>	57,902
Accruals and deferred income	<b>628,954</b>	379,367	<b>552,350</b>	340,015
Amounts owed to group undertakings	-	-	<b>26,091</b>	19,331
	<u><b>1,122,343</b></u>	<u>732,680</u>	<u><b>933,183</b></u>	<u>553,510</u>

Other creditors includes £160,436 (2013: £123,431) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £132,238 and deferred income comprising £1,436 of advance sales, £28,992 of conference deposits, £52,299 of rental income received in advance and £413,989 of grant and project income (note 3).

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

	<b>Group</b>		<b>Charity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other loans	<b>(80,000)</b>	(80,000)	<b>(80,000)</b>	(80,000)
Analysis of loans				
Wholly repayable within 5 years	<b>(80,000)</b>	(80,000)	<b>(80,000)</b>	(80,000)

The creditor is an interest free loan from Bristol City Council to improve cash flow during a period of development. The loan is repayable on agreement between Watershed and Bristol City Council once Watershed is receiving an income stream from the rental of unit 5-8 of its headlease tenancies. Half of this unit was let in the year on a 12 month rent free basis. Post year end a lease was completed for the remainder of the unit as disclosed in note 24.

**Notes (continued)**

**18 Provisions and liabilities**

Group	Deferred Tax £
At beginning of year	523
Release in the year (note 11)	3,187
	<hr/>
<b>At end of year</b>	<b>3,710</b>
	<hr/> <hr/>

The elements of deferred taxation are as follows:

	2014 £	2013 £
Difference between accumulated depreciation and capital allowances	3,710	523
	<hr/>	<hr/>

The charity has no deferred taxation liabilities.

**19 Unrestricted income funds**

	Group £	Charity £
At beginning of year	6,071,350	6,036,575
Movement in year before transfers	(156,609)	(170,803)
Transfer from restricted funds (note 20)	103,197	103,197
	<hr/>	<hr/>
<b>At end of year</b>	<b>6,017,938</b>	<b>5,968,969</b>
	<hr/> <hr/>	<hr/> <hr/>

	At beginning of year	Incoming Resources	Expenditure	Transfers	Re- classification from restricted funds	Balance at 31 March 2014
	£	£	£	£	£	£
<b>Unrestricted Income Funds</b>						
General fund	120,378	4,513,908	(4,670,517)	158,941	-	122,710
<i>Designated Funds</i>						
Bristol+ contingency fund	111,644	-	-	-	-	111,644
Capital Grants Fund	5,839,328	-	-	(55,744)	-	5,783,584
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,071,350	4,513,908	(4,670,517)	103,197	-	6,017,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The transfer from restricted funds represents the annual release of the capital grants which matches the annual depreciation charge of these funded fixed assets.



## Notes (continued)

The Bristol + contingency fund is a designated development fund specifically to ring fence surpluses associated with the rental income from E & W sheds. This designated fund is for the purpose of:

- preserving the heritage of E & W sheds;
- making improvements to E & W sheds and the immediate public realm;
- delivery of outputs in creative economy development in accordance with the Bristol+ Business Plan.

In 2011/12 the sum of £5,925,688 was reclassified as unrestricted funds. This represents the headlease 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 headlease 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. Therefore, it does not form part of the freely available reserves of the Trust. In 2013/14 the sum of £55,744 was transferred from this fund to undesignated income funds to match the depreciation on the asset the grant originally funded.

### 20 Restricted funds: Group and Charity

	At beginning of year	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of year
	£	£	£	£	£	£
<b>Capital grants</b>						
Leasehold premium reserve	19,767	-	(9,885)	-	-	9,882
Deferred capital grant	32,980	-	(1,600)	-	-	31,380
Deferred capital refurbishment grants	1,044,006	-	(67,426)	-	-	976,580
Lottery lease purchase grant	592,415	-	(8,712)	-	-	583,703
ACE GforA capital grant	55,688	-	(2,800)	-	-	52,888
BFI equipment grant	25,547	-	(12,774)	-	-	12,773
	<u>1,770,403</u>	<u>-</u>	<u>(103,197)</u>	<u>-</u>	<u>-</u>	<u>1,667,206</u>
<b>Voluntary income</b>						
Grants and Sponsorship	-	54,992	-	-	(54,992)	-
<b>Incoming resources from charitable activities</b>						
Project funding – grants	-	367,478	-	-	(367,478)	-
Project funding – other	-	483,460	-	-	(483,460)	-
Regular Grant funding	-	1,063,581	-	-	(1,063,581)	-
	<u>-</u>	<u>1,969,511</u>	<u>-</u>	<u>-</u>	<u>(1,969,511)</u>	<u>-</u>
	<u>1,770,403</u>	<u>1,969,511</u>	<u>(103,197)</u>	<u>-</u>	<u>(1,969,511)</u>	<u>1,667,206</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.

**Notes (continued)**

**20 Restricted funds: Group and Charity (continued)**

**Leasehold premium reserve**

The consideration on the surrender of the lease in 1990 has been transferred to a premium suspense reserve. The reserve is being taken to income in equal instalments over a period of 25 years to match the depreciation of structural leasehold improvements.

**Deferred capital grant**

Grant support to fund refurbishments undertaken prior to 2002/03 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 (8 to 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.

**Other capital grants**

Grant support from various sources to enable the purchase of equipment for specific projects have been transferred to deferred capital grants and are being taken to income over a period of 3 years to match the depreciation of the assets funded by the grants.

**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 incoming resources from charitable activities and the grants are spent in accordance with the donors' restrictions.

**21 Analysis of fund balances - group**

	Unrestricted funds £	Restricted funds £	2014 Total £	2013 Total £
Fixed assets	6,035,750	1,667,206	7,702,956	7,868,963
Net current assets	65,898	-	65,898	53,313
Long term liabilities	(80,000)	-	(80,000)	(80,000)
Provisions for liabilities and charges	(3,710)	-	(3,710)	(523)
	<u>6,017,938</u>	<u>1,667,206</u>	<u>7,685,144</u>	<u>7,841,753</u>

**Notes (continued)**

**22 Operating leases**

The Group and Charity are committed to make annual payments in respect of operating leases as follows:

	2014 Group and Charity plant and equipment £	2013 Group and Charity plant and equipment £
Expiring within:		
Less than 1 year	-	-
Two to five years	13,750	18,915
Greater than five years	-	-
	13,750	18,915
	13,750	18,915

**23 Related Party Transactions**

During the year legal fees of £6,926 (2013: £5,946) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £40,866 (2013: £18,884) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited, a Director of iShed CIC 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 Council of Management (CoM) and was reconfirmed in December 2013.

The CoM has delegated authority to the Managing Director 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 CoM. 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 fees of £987 (2013: £nil) were paid to Burrell Durrant Hifle in respect of producer costs. John Durrant is a Director of iShed CIC and a Director of Burrell Durrant Hifle.

Apart from the transactions noted above there have been no further related party transactions. In the previous year, payments totalling £4,277 were paid to the Community Farm and £23 to the Better Food Company in respect of food purchases for the company's café/bar operation. Phil Haughton is a Director of Watershed Trading Limited and the Community Farm and the Better Food Company.

**24 Post Balance Sheet Events**

On 2 June 2014 Watershed completed a lease for the remainder of its vacant head lease unit to Bristol City Council at a rental of £41,000 per annum.