

Watershed Arts Trust Limited
(a company limited by guarantee)

Report of the Board and consolidated financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2023

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Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2023. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

Introduction

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

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

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

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

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

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

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

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

Strategic report (continued)

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

Report on 2022/23 Priorities

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

Inclusive

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

Open and Honest

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

Make Things Happen

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

Entrepreneurial

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

Celebratory

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

Achievements and performance

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

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

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

Strategic report (continued)

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

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

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

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

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

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

Highlights

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

Cinema

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

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

Strategic report (continued)

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

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

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

Audience member feedback from Cables & Cameras Inspired event.

Film Hub South West

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

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

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

We launched a Cinema Business Resilience Incubator led by Upstarter supporting a cohort of 7.

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

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

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

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

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

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

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

Strategic report (continued)

Creative Technology

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

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

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

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

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

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

2023 - 2024 Organisational Priorities

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

Business Development

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

Strategic report (continued)

Programming

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

Environment

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

People

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

Audiences

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

Risk Management

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

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

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

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

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

Strategic report (continued)

Principal risks and uncertainties

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

Business Model

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

People and Culture

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

Building and Systems

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

Values

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

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

Fundraising

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

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

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

Strategic report (continued)

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

Financial review

Overview

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

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

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

Subsidiary Company Results

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

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

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

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

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

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

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

Strategic report (continued)

Financial monitoring and control

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

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

Watershed's income portfolio includes:

Programme Funds

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

Unrestricted Grants

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

General Fundraising

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

Commercial sales - Café/bar and Conference

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

Strategic report (continued)

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

Cinema sales

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

Property Income

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

Reserves policy

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

Overview

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

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

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

Reserves

Watershed reserves are split into the following funds:

General Fund

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

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

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

Strategic report (continued)

Building Fund (Bristol +)

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

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

Designated Funds

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

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

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

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

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

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

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

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

Trustees' report

Structure, governance and management

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

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

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

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

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

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

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

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing the financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustees' report (continued)

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

Reference and administrative details

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

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

Trustees

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

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

Disclosure of information to auditors

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

Auditors

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

By order of the Board



J Touzel
Chair of the Board

1 Canon's Road
Bristol
BS1 5TX

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

Opinion

We have audited the financial statements of Watershed Arts Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2023 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Identifying and assessing risks related to irregularities:

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

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

Audit response to risks identified:

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

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

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

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

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

Use of our report

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

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

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

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

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

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

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

**Consolidated cash flow statement
for the year ended 31 March 2023**

| | 2023 | 2022 |
|--|------------------|-----------------|
| | £ | £ |
| Cash flows from operating activities | | |
| Net (outgoings)/income | (456,873) | (21,614) |
| Depreciation of tangible assets | 187,741 | 175,920 |
| Depreciation write-off (head lease) | - | - |
| Loss on disposal of fixed assets | - | - |
| Taxation | - | - |
| Change in trade and other debtors | (365,745) | 23,126 |
| Change in stocks | (1,420) | (9,182) |
| Change in trade and other creditors | 72,547 | (48,251) |
| Net cash flow generated from operating activities | (563,750) | 119,999 |
| Cash flows from investing activities | | |
| Purchases of tangible assets | (365,223) | (64,387) |
| Net cash from investing activities | | (64,387) |
| Cash flows from financing activities | | |
| Decrease in loan/long term creditors | - | - |
| Net cash flows from financing activities | - | - |
| Cash at bank and in hand at beginning of year | 1,778,299 | 1,722,687 |
| Cash at bank and in hand at end of year | 848,949 | 1,778,299 |

Analysis of changes in net debt

| | At 1 April 2022 | Cashflows | At 31 March 2023 |
|--------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Cash | 1,778,299 | (928,973) | 849,949 |
| Total | 1,778,299 | (928,973) | 848,949 |

Consolidated and company balance sheets
at 31 March 2023

| | Note | Group | | Charity | |
|--|------|------------------|-------------------|------------------|-------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 13 | 9,345,625 | 9,168,143 | 9,323,961 | 9,130,612 |
| Investments | 14 | - | - | 50,101 | 50,101 |
| | | 9,345,625 | 9,168,143 | 9,374,062 | 9,180,713 |
| Current assets | | | | | |
| Stocks | 15 | 16,653 | 15,233 | - | - |
| Debtors | 16 | 704,157 | 338,412 | 630,815 | 388,687 |
| Cash at bank and in hand | | 848,949 | 1,778,299 | 501,799 | 1,424,354 |
| | | 1,569,759 | 2,131,944 | 1,132,614 | 1,813,041 |
| Creditors: due within one year | 17 | (961,190) | (889,020) | (781,686) | (674,004) |
| Net current assets | | 608,569 | 1,242,924 | 350,928 | 1,139,037 |
| Total assets less current liabilities | | 9,954,194 | 10,411,067 | 9,724,990 | 10,319,750 |
| Creditors: due after more than one year | 18 | (29,690) | (29,690) | (29,690) | (29,690) |
| Provisions for liabilities and charges | 19 | (3,485) | (3,485) | - | - |
| Net assets | | 9,921,019 | 10,377,892 | 9,695,300 | 10,290,060 |
| Unrestricted income funds - general | 20 | 693,252 | 1,120,696 | 467,533 | 1,032,864 |
| Clusters – unrestricted designated fund | 20 | - | 35,539 | - | 35,539 |
| Rife – unrestricted designated fund | 20 | - | - | - | - |
| Film Hub – unrestricted designated fund | 20 | - | 67,767 | - | 67,767 |
| ACE Cultural Recovery designated fund | 20 | - | - | - | - |
| Bristol + unrestricted designated fund | 20 | 244,717 | 244,717 | 244,717 | 244,717 |
| Head lease unrestricted designated fund | 20 | 5,504,856 | 5,504,856 | 5,504,856 | 5,504,856 |
| Capital unrestricted designated funds | 20 | 709,544 | 709,544 | 709,544 | 709,544 |
| Revaluation reserve (head lease) | 20 | 1,435,600 | 1,435,600 | 1,435,600 | 1,435,600 |
| Restricted capital funds | 21 | 1,333,050 | 1,259,173 | 1,333,050 | 1,259,173 |
| Total funds | | 9,921,019 | 10,377,892 | 9,695,300 | 10,290,060 |

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

For the parent charity net movement in funds is a deficit of £594,383 (2022: deficit of £36,978).

These financial statements were approved by the Board on 20th September 2023 and were signed on its behalf by:

J Touzel

Chair of the Board



Notes

(forming part of the financial statements)

1 Accounting policies

Company information

Watershed Arts Trust Limited is a charitable company limited by guarantee incorporated in England and Wales. The registered office is 1 Canons Road, Harbourside, Bristol, BS1 5TX.

Basis of preparation

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

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

Going Concern

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

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

Budget and cashflow forecasts undertaken throughout the year indicate that the Watershed Group will maintain sufficient cashflow throughout 2023/24 and continue operating without impediment. Consolidated Reserves at the end of 2022/23 were £937,970 (2021/22 £1,468,719).

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

Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2023.

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

The trading results of the subsidiaries are disclosed in notes 6 and 7 to these financial statements.

Notes (continued)

7 Accounting policies (continued)

Income

Voluntary income

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

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

Revenue grants received for specific creative projects are also categorised as income from charitable activities. Grants received to fund capital expenditure are recognised in the Statement of Financial Activities in the year of receipt and held as appropriate in restricted or unrestricted funds. Where restricted, the balance in restricted funds is transferred to unrestricted funds in future years at the same rate so as to match the depreciation of the related assets.

Income from charitable activities

Earned income from cinema activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and is accounted for on a receivable basis. Deposits received in respect of cinema tickets for the next accounting period are included in deferred income in creditors on the balance sheet until the criteria for income recognition are met. Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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

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

Earned income in respect of Watershed Ventures CIC represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of events and consultancies and is accounted for on a receivable basis.

Donated services and facilities

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

Expenditure

All expenditure is accounted for on an accrual basis. Costs directly attributable to a specific expense heading are allocated to that heading. Expenditure is recognised when a liability is incurred:

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

Notes (continued)

8 Accounting policies (continued)

Leases

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

Stocks

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

Taxation

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

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

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

Fund accounting

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

Restricted funds

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

Revenue funds restricted by the donor are matched against expenditure as appropriate.

Unrestricted funds

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

Designated funds

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

Currently the Building Fund is underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2022/23, these costs total £211,707 and are being treated as an asset on Watershed's balance sheet.

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

Notes (continued)

9 Accounting policies (continued)

Subsidiaries

Details of subsidiary undertakings owned by the charity are disclosed in notes 6 and 7.

Fixed assets and depreciation

Assets under £1,000 are not capitalised unless they form part of an asset with a combined value of over £1,000. Fixed assets are subject to a policy of cost and depreciation, except for the head lease. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | |
|------------------------|---------------------|
| Furniture and fittings | 10% - 20% per annum |
| Plant and equipment | 10% - 33% per annum |

In December 2002 Watershed purchased a new lease on the existing premises for the sum of £650,000 on the same terms as the existing lease excepting the term is for 99 years from 25 March 1982 and the rental is peppercorn.

Depreciation is provided on a straight-line basis over a 79 year period (the unexpired term of the lease). Leasehold improvements. The Board re-assessed the useful economic lives of leasehold improvements in 1992.

All leasehold improvements are depreciated over 25 years on a straight-line basis.

In December 2002 Watershed commenced a programme of capital development which created new administration and event spaces, a third cinema screen, refurbished the existing two screens, created an extension to the café/bar area and provided a fully accessible lift. The programme was completed in March 2006.

In March 2009 Watershed constructed a balcony extension to the café/bar area.

In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years' time and consequently the costs of this work are being depreciated over a 10-year period. In December 2015 Watershed undertook a programme of refurbishment to upgrade its computer facilities, kitchen equipment and lighting to more energy efficient and environmentally friendly equivalents. The costs of these upgrades are being depreciated over a 10-year period to reflect the useful life of these improvements.

In June 2017 Watershed undertook a programme of refurbishment to update its Front of House facilities, making them fit for purpose and accessible. The costs of these upgrades are being depreciated over a 10-year period to reflect the useful life of these improvements.

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

In 2019/20, the head lease was revalued at a market value of £7,650,000. Going forward, the treatment of the lease will be on a re-valuation basis.

Notes (continued)

10 Accounting policies (continued)

The valuation was carried out by chartered surveyors Carter Baynes following the granting of a deed of variation from Bristol City Council which reduced the ground rent payable on the head lease to peppercorn from 1 April 2019.

Opinions of value were provided for both the investment and market value subject to the existing tenancies.

As the useful economic life of some of the above assets exceeds 50 years, the Trustees review the assets for impairment on an annual basis.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Basic financial liabilities

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

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

Cash and cash equivalents

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

Foreign currency policy

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

Notes (continued)

2 Critical accounting judgments and key sources of estimation uncertainty

The head lease to E&W sheds is held by the Charity for the purposes of direct use of the Charity. It is Watershed's intention to impact positively on the immediate public realm and create an external environment around Watershed that is both welcoming and inclusive. Rental income generated by the head lease tenancies is applied directly to the charitable objectives of the Arts Trust. It is therefore deemed appropriate to classify the valuation of the head lease on its value as Property, Plant and Equipment (PPE) rather than as mixed use investment assets.

Trustees have given due consideration to the impact of the COVID pandemic on the value of the head lease and consider that there are no material changes to the value of the property (see note 13).

Voluntary income is recognised at the point at which the Charity deems it has entitlement to those funds. Decisions around the timing of entitlement are based on the terms and conditions of the particular grant or contract, past precedents around funder's accountability requirements and the need to show a true and transparent picture of the Charity's activities.

Grant income is often offered to Watershed in advance of the activity it supports. In these instances, no entitlement is assumed until the funded activity commences. Up to this point funds are held as deferred restricted income. Income is then credited to the profit and loss account to match the related expenditure as the funded activity progresses.

3 Legal status of the charity

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2023 there were 10 members.

Notes (continued)

4 Grant and project income receivable (Group)

| | Deferred as at 1 April 2022 £ | Cash received & receivable 2022/23 £ | Credited to income & expenditure 2022/23 £ | Transferred to capital grants 2022/23 £ | Deferred as at 31 March 2023 £ |
|---|--|--|--|---|---|
| Income from donations and legacies | | | | | |
| Unrestricted grants | | | | | |
| Regular Grant Funding | | | | | |
| Arts Council England – National Portfolio funds | - | 757,984 | (757,984) | - | - |
| Bristol City Council – Key Arts Provider funds | - | 54,400 | (54,400) | - | - |
| Total Regular Grant Funding | - | 812,384 | (812,384) | - | - |
| Cultural Recovery Grants | | | | | |
| Arts Council England | - | - | - | - | - |
| Total unrestricted grant funding | - | - | - | - | - |
| Income from charitable activities | | | | | |
| Unrestricted grants | | | | | |
| Europa Cinemas | - | 9,674 | (9,674) | - | - |
| Unrestricted other project funding | | | | | |
| Other | - | - | - | - | - |
| Total other grants | - | 9,674 | (9,674) | - | - |
| Restricted | | | | | |
| Programme funding – grants | | | | | |
| British Film Institute | 16,547 | 810,240 | (826,787) | - | - |
| HE Sector | 111,794 | 287,133 | (311,075) | - | 87,852 |
| Other grants | 11,240 | 74,970 | (85,704) | - | 506 |
| Programme funding – other | | | | | |
| Other project funds | 8,000 | 182,062 | (173,151) | - | 16,911 |
| Total programme funds | 147,581 | 1,354,405 | (1,396,717) | - | 105,269 |
| Other Grants | | | | | |
| Unrestricted | | | | | |
| Government grants (COVID support) | - | - | - | - | - |
| Total other grants | - | - | - | - | - |
| Total | 147,581 | 2,176,463 | (2,218,775) | - | 105,269 |

Notes (continued)

5 Financial activities of the charity

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiaries, Watershed Trading Limited and Watershed Ventures CIC.

The gross incoming resources for the year ended 31 March 2023 for the charity was £3,884,620 (2022: £3,680,748). The overall net incoming resources for the year was a deficit of £594,383 (2022: deficit of £36,978), with a deficit of £668,260 (2022: deficit of £2,730) on unrestricted reserves.

6 Trading subsidiary's results (Watershed Trading Limited)

| | 2023 Total £ | 2022 Total £ |
|---|--------------------|--------------------|
| Turnover | 1,588,256 | 976,163 |
| Cost of sales | (1,214,853) | (776,335) |
| | <hr/> | <hr/> |
| Gross profit/(loss) | 373,403 | 199,828 |
| Administration and other costs | (53,412) | (126,663) |
| | <hr/> | <hr/> |
| Trading profit/(loss) | 319,991 | 73,165 |
| Other income | | 9 |
| | <hr/> | <hr/> |
| Net income/ (outgoing funds) | 319,991 | 73,174 |
| Gift aid payment to Watershed Arts Trust Limited | (5,263) | - |
| Management charge from Watershed Arts Trust Limited | (176,627) | (57,309) |
| Tax on profit on ordinary activities | - | - |
| | <hr/> | <hr/> |
| Retained profit/(loss) for the year | 138,101 | 15,865 |
| Retained profit brought forward | 80,047 | 64,182 |
| | <hr/> | <hr/> |
| Retained profit carried forward | 218,148 | 80,047 |
| | <hr/> <hr/> | <hr/> <hr/> |

The assets and liabilities of the subsidiary were:

| | 2023 Total £ | 2022 Total £ |
|--|--------------------|--------------------|
| Fixed assets | 21,664 | 37,531 |
| Current assets | 452,398 | 391,489 |
| Creditors: amounts falling due within one year | (252,329) | (345,388) |
| Provisions for liabilities and charges | (3,485) | (3,485) |
| | <hr/> | <hr/> |
| Net assets | 218,248 | 80,147 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Equity shareholders' funds | 218,248 | 80,147 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

| | 2023 | 2022 |
|---|------------------|----------------|
| Subsidiary Turnover | Total | Total |
| | £ | £ |
| Café/bar, conference, retail sales | 1,588,256 | 869,227 |
| Government JRS grants | - | 73,603 |
| Arts Council England Cultural Recovery Fund | - | 33,333 |
| | <hr/> | <hr/> |
| Turnover | 1,588,256 | 976,163 |
| | <hr/> | <hr/> |

7 Trading subsidiary's results (Watershed Ventures CIC)

| | 2023 | 2022 |
|---|--------------|--------------|
| | Total | Total |
| | £ | £ |
| Turnover | - | - |
| Cost of sales | - | - |
| | <hr/> | <hr/> |
| Gross profit | - | - |
| Administration and other costs | (813) | (504) |
| | <hr/> | <hr/> |
| Trading profit | (813) | (504) |
| Other income | 222 | 3 |
| | <hr/> | <hr/> |
| Net income | (591) | (501) |
| Gift aid payment to Watershed Arts Trust Limited | - | - |
| Management charge from Watershed Arts Trust Limited | - | - |
| Tax on profit on ordinary activities | - | - |
| | <hr/> | <hr/> |
| Retained profit for the year | (591) | (501) |
| Retained profit brought forward | 7,785 | 8,286 |
| | <hr/> | <hr/> |
| Retained profit carried forward | 7,194 | 7,785 |
| | <hr/> | <hr/> |

The assets and liabilities of the subsidiary were:

| | 2023 | 2022 |
|--|---------------|---------------|
| | Total | Total |
| | £ | £ |
| Current assets | 58,333 | 58,586 |
| Creditors: amounts falling due within one year | (1,138) | (800) |
| | <hr/> | <hr/> |
| Net assets | 57,195 | 57,786 |
| | <hr/> | <hr/> |
| Equity shareholders' funds | 57,195 | 57,786 |
| | <hr/> | <hr/> |

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

Notes (continued)

8 Allocation of support costs

The Trust allocates its support costs as shown in the table below and then further apportions those costs between the two charitable activities undertaken (see note 9). Support costs are allocated on a basis consistent with the use of resources.

| | Charitable activities £ | Fundraising costs £ | Governance £ | 2023 Total £ | 2022 Total £ |
|-----------------------|-------------------------------|------------------------|-----------------|--------------------|--------------------|
| Support cost | | | | | |
| General office | 96,192 | 1,667 | 21,940 | 119,799 | 108,288 |
| Finance office | 242,525 | 2,484 | 56,450 | 301,459 | 261,018 |
| External audit | - | - | 15,366 | 15,366 | 22,821 |
| Professional services | 30,235 | - | 27,046 | 57,281 | 30,214 |
| Fundraiser costs | - | 50,975 | - | 50,975 | 48,290 |
| | <u>368,952</u> | <u>55,126</u> | <u>120,802</u> | <u>544,880</u> | <u>470,631</u> |

9 Analysis of charitable expenditure

| | Audience Engagement Programme £ | Creative technology and talent development projects £ | 2023 Total £ | 2022 Total £ |
|---|--|--|--------------------|--------------------|
| Cinema Screening – direct costs | 907,814 | - | 907,814 | 609,232 |
| Direct programme/project costs | 646,599 | 754,840 | 1,401,439 | 1,339,328 |
| Arts programme management and marketing | 442,130 | 319,549 | 761,679 | 579,568 |
| Premises costs | 397,099 | 210,047 | 607,146 | 470,244 |
| General support costs | 295,162 | 73,790 | 368,952 | 315,547 |
| Governance costs | 96,641 | 24,161 | 120,802 | 102,544 |
| Depreciation | 137,499 | 34,375 | 171,874 | 161,744 |
| | <u>2,922,944</u> | <u>1,416,762</u> | <u>4,339,706</u> | <u>3,578,207</u> |

Notes (continued)

10 Staff numbers and costs

The average headcount in the year for the group was 114 (2022: 101).

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

| | Number of employees | |
|-------------------------------|---------------------|-----------|
| | 2023 | 2022 |
| Cultural engagement programme | 42 | 36 |
| Administration | 13 | 12 |
| Trading | 23 | 21 |
| | <u>78</u> | <u>69</u> |

The aggregate payroll costs of these persons were as follows:

| Group | 2023 | 2022 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Directors' emoluments | - | - |
| Wages and salaries | 2,578,672 | 2,206,588 |
| Social security costs | 231,738 | 192,356 |
| Pension costs | 51,760 | 47,796 |
| | <u>2,862,170</u> | <u>2,446,740</u> |

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

Key management compensation in total for the year was £82,868 (2022: £78,592). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £80,000 to £85,000 (2022 – the emoluments of one employee, including benefits in kind, was within the range of £75,000 to £80,000).

11 Net movement on funds is stated after charging

| | 2023 | 2022 |
|--|-----------|---------|
| | £ | £ |
| Auditors' remuneration – audit services (Charity: £18,000) | 26,979 | 25,325 |
| Auditors' remuneration – non audit services (Charity: £Nil) | - | 11,199 |
| Depreciation and other amounts written off tangible fixed assets | 187,741 | 175,920 |
| Inventories recognised as an expense | 1,213,433 | 628,362 |
| Operating lease payments recognised as an expense | 10,306 | 10,306 |

Notes (continued)

12 Taxation

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2023 or 2022 by Watershed Ventures CIC.

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on results of the year | - | - |
| Deferred tax (see note 19) | | |
| Origination/reversal of timing differences | - | - |
| | <u> </u> | <u> </u> |
| Tax on profit on ordinary activities | - | - |
| | <u> </u> | <u> </u> |

Factors affecting the tax charge for the current period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19%), (2022: 19%). The differences are explained below:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | £ | £ |
| Current tax reconciliation | | |
| Profit/(loss) on ordinary activities before tax | 138,101 | 15,865 |
| | <u> </u> | <u> </u> |
| Current tax at 19% | 26,239 | 3,014 |
| <i>Effects of:</i> | | |
| Losses brought back | - | - |
| Other timing differences | 921 | (3,883) |
| Expenses not deductible for tax purposes | - | 17 |
| Deferred tax changes in tax rates | 8,541 | 1,725 |
| Group relief claimed | (112) | (873) |
| Movement in deferred tax not recognised | (35,589) | - |
| | <u> </u> | <u> </u> |
| Total current tax charge (see above) | - | - |
| | <u> </u> | <u> </u> |

Notes (continued)

13 Tangible fixed assets

| | Head lease | Leasehold improvements | Furniture and equipment | Total |
|---------------------------|-------------------|------------------------|-------------------------|-------------------|
| Group | £ | £ | £ | £ |
| <i>Cost or valuation</i> | | | | |
| At beginning of year | 7,650,000 | 3,204,571 | 1,745,783 | 12,600,354 |
| Disposals in the year | - | - | - | - |
| Revaluation of head lease | - | - | - | - |
| Additions | - | 359,085 | 6,138 | 365,223 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At end of year | 7,650,000 | 3,356,656 | 1,751,921 | 12,965,577 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <i>Depreciation</i> | | | | |
| At beginning of year | - | 2,081,332 | 1,350,879 | 3,432,211 |
| Depreciation on disposals | - | - | - | - |
| Charge for year | - | 117,000 | 70,741 | 187,741 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At end of year | - | 2,198,332 | 1,421,620 | 3,619,952 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <i>Net book value</i> | | | | |
| At 31 March 2023 | 7,650,000 | 1,365,324 | 330,301 | 9,345,625 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2022 | 7,650,000 | 1,123,239 | 394,904 | 9,168,143 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Critical judgements around the value of the head lease are described in note 2.

Notes (continued)

14 Tangible fixed assets (continued)

| | Head lease | Leasehold improvements | Furniture and equipment | Total |
|---------------------------|------------------|---------------------------|-------------------------------|------------------|
| | £ | £ | £ | £ |
| Charity | | | | |
| <i>Cost or valuation</i> | | | | |
| At beginning of year | 7,650,000 | 3,204,571 | 1,603,643 | 12,458,214 |
| Disposals in the year | - | - | - | - |
| Additions | - | 359,085 | 6,138 | 365,223 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 7,650,000 | 3,563,656 | 1,609,781 | 12,823,437 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At beginning of year | - | 2,081,332 | 1,246,270 | 3,327,602 |
| Depreciation on disposals | - | - | - | - |
| Charge for year | - | 117,000 | 54,874 | 171,874 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | - | 2,198,332 | 1,301,144 | 3,499,476 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 March 2023 | 7,650,000 | 1,365,324 | 308,637 | 9,323,961 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31 March 2022 | 7,650,000 | 1,123,239 | 357,373 | 9,130,612 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The Trustee's review of the fixed assets has concluded that their value is not impaired. The head lease qualifies as a 'long leasehold' as it has over 50 years to run.

15 Fixed asset investments

| Shares | Charity 2023 £ | Charity 2022 £ |
|------------------------------|----------------------|----------------------|
| At the beginning of the year | 50,101 | 50,101 |
| | <hr/> | <hr/> |
| At the end of the year | 50,101 | 50,101 |
| | <hr/> <hr/> | <hr/> <hr/> |

The above shares represent equity investments in group undertakings.

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

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

16 Stocks

| | Group | | Charity | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Finished goods and goods for resale | 16,653 | 15,233 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Debtors

| | Group | | Charity | |
|--|----------------|----------------|----------------|----------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade debtors | 380,118 | 99,000 | 236,305 | 22,923 |
| Prepayments and accrued income | 306,791 | 175,090 | 303,676 | 170,572 |
| Other debtors including taxation and social security | 17,248 | 64,322 | 17,248 | 64,232 |
| Amounts owed from Group undertakings | - | - | 73,586 | 130,960 |
| | <u>704,157</u> | <u>338,412</u> | <u>630,815</u> | <u>388,687</u> |

All debtors are recoverable within one year.

18 Creditors: amounts falling due within one year

| | Group | | Charity | |
|--|----------------|----------------|----------------|----------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade creditors | 336,034 | 355,263 | 327,952 | 340,005 |
| Other creditors including taxation and social security | 175,188 | 165,827 | 76,753 | 64,047 |
| Accruals and deferred income | 450,345 | 367,930 | 376,981 | 269,740 |
| Amounts owed to group undertakings | - | - | - | 212 |
| | <u>961,567</u> | <u>889,020</u> | <u>781,686</u> | <u>674,004</u> |

Other creditors include £134,996 (2022: £136,106) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £170,736, deferred income comprising £40,645 of conference deposits, £124,511 of property income received in advance, £3,123 of advance cinema sales and £105,269 of grant and project income (note 4).

Deferred rent income, advanced cinema sales, and conference deposits as at 1 April 2022, were fully released in the year. The balance at the year-end was:

| | Group £ | Charity £ |
|---|----------------|----------------|
| Balance as at 1 April 2022 | 75,971 | 15,622 |
| Movement in deferred income in the year | 169,103 | 188,987 |
| | <u>245,074</u> | <u>204,609</u> |

Notes (continued)

19 Creditors: amounts falling due after more than one year

| | Group | | Charity | |
|---------------------------------|---------------|-------------|----------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £ | £ | £ | £ |
| 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.

20 Provisions and liabilities

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

The elements of deferred taxation are as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| | £ | £ |
| Difference between accumulated depreciation and capital allowances | 3,485 | 3,485 |
| Other short term timing differences | - | - |
| | 3,485 | 3,485 |

The charity has no deferred taxation liabilities.

Notes (continued)

20 Unrestricted income funds

| | Group £ | Charity £ |
|--|------------------|------------------|
| At beginning of year | 9,118,719 | 9,030,887 |
| Movement in year before transfers | (656,873) | (794,383) |
| Transfer from restricted funds (note 21) | 126,123 | 126,123 |
| | <hr/> | <hr/> |
| At end of year | 8,587,969 | 8,362,627 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | At beginning of year: 1 April 2022 £ | Incoming resources £ | Expenditure £ | Transfers £ | Other recognised gains and losses £ | At end of Year: 31 March 2023 £ |
|-------------------------------------|--|----------------------------|------------------|----------------|---|--|
| Unrestricted income funds | | | | | | |
| General fund | 1,120,696 | 3,694,491 | (4,351,364) | 229,429 | - | 693,252 |
| <i>Designated Funds</i> | | | | | | |
| Building fund | 244,717 | - | - | - | - | 244,717 |
| Head lease fund | 5,504,856 | - | - | - | - | 5,504,856 |
| Capital fund | 709,544 | - | - | - | - | 709,544 |
| Revaluation reserve (head lease) | 1,435,600 | - | - | - | - | 1,435,600 |
| Clusters Fund | 35,539 | - | - | (35,539) | - | - |
| Film Hub Fund | 67,767 | - | - | (67,767) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 9,118,719 | 3,694,491 | (4,351,364) | 126,123 | - | 8,587,969 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

Following the re-evaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment. The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. These amounts represent the head lease valuation of £7,650,000 and therefore do not form part of the freely available reserves of the Trust.

Notes (continued)

21 Restricted funds: Group and Charity

| | At beginning of year: 1 April 2022 | Incoming resources | Transfer to unrestricted income funds | Re- classification to unrestricted funds | Outgoing resources | At end of Year: 31 March 2023 |
|---------------------------------------|---|-----------------------|--|--|-----------------------|--|
| | £ | £ | £ | £ | £ | £ |
| Capital funds | | | | | | |
| Deferred capital grant | 6,396 | - | (1,600) | - | - | 4,796 |
| Deferred capital refurbishment grants | 437,151 | - | (67,426) | - | - | 369,725 |
| Lottery lease purchase grant | 514,007 | - | (8,712) | - | - | 505,295 |
| ACE GforA capital grant | 30,489 | - | (2,800) | - | - | 27,689 |
| ACE small capital grant | 86,130 | - | (28,710) | - | - | 57,420 |
| Garfield Weston capital grant | 100,000 | - | (2,500) | - | - | 97,500 |
| Other capital funds | 85,000 | 200,000 | (14,375) | - | - | 270,625 |
| | <u>1,259,173</u> | <u>200,000</u> | <u>(126,123)</u> | <u>-</u> | <u>-</u> | <u>1,333,050</u> |

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

Deferred capital grant

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

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

Garfield Weston capital grant

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

Other capital funds

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period as the depreciation of the assets it will fund once the capital project has been undertaken.

Grant support from Bristol City Council towards the costs of refurbishing Watershed's first floor toilets into a fully inclusive facility. The funds are being taken to income over the same period as the depreciation of the assets it funds.

Voluntary income and project funding from charitable activities

Donated services and one-off grants received which are restricted by the donors are spent in accordance with the donors' restrictions.

Revenue grants received for specific creative projects are categorised as income from charitable activities and the grants are spent in accordance with the donors' restrictions.

Notes (continued)

22 Analysis of fund balances - group

| | Unrestricted funds £ | Restricted funds £ | 2023 Total £ | 2022 Total £ |
|--|----------------------------|--------------------------|--------------------|--------------------|
| Fixed assets | 8,012,575 | 1,333,050 | 9,345,625 | 9,168,143 |
| Net current assets | 608,569 | - | 608,569 | 1,242,924 |
| Long term liabilities | (29,690) | - | (29,690) | (29,690) |
| Provisions for liabilities and charges | (3,485) | - | (3,485) | (3,485) |
| | <u>8,587,969</u> | <u>1,333,050</u> | <u>9,921,019</u> | <u>10,377,892</u> |

23 Operating leases as a lessee

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

| | 2023 Group and Charity plant and equipment £ | 2022 Group and Charity plant and equipment £ |
|----------------------------|--|--|
| Within one year | 10,306 | 10,306 |
| Between one and five years | 17,280 | 27,586 |
| After five years | - | - |
| | <u>27,586</u> | <u>37,892</u> |

24 Operating leases as a lessor

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

| | 2023 Group and Charity leasehold property £ | 2022 Group and Charity leasehold property £ |
|----------------------------|---|---|
| Within one year | 245,835 | 211,219 |
| Between one and five years | 737,505 | 794,340 |
| After five years | 199,387 | 183,594 |
| | <u>1,182,727</u> | <u>1,189,153</u> |

25 Related party transactions

During the year legal fees of £7,342 (2022: £1,424) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £nil (2022: £3,854) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

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

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

Notes (continued)

26 Comparative statement of financial activities

| | <i>Note</i> | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ |
|---|-------------|----------------------------|---------------------------|---------------------------|
| Income | | | | |
| Voluntary income | | | | |
| <i>Donations and legacies</i> | | | | |
| Individual giving | | 30,125 | - | 30,125 |
| Donated services | | 3,854 | - | 3,854 |
| Regular grant funding | 4 | 812,384 | - | 812,384 |
| Arts Council England Cultural Recovery Grant | 4 | 398,326 | - | 398,326 |
| <i>Other trading activities</i> | | | | |
| Commercial trading operations | 6/7 | 862,871 | - | 862,871 |
| <i>Investment income</i> | | | | |
| Interest receivable | | 27 | - | 27 |
| | | <u>2,107,587</u> | <u>-</u> | <u>2,107,587</u> |
| Income from charitable activities | | | | |
| Earned income from cinema activities | | 462,869 | - | 462,869 |
| Rental income | | 171,684 | - | 171,684 |
| Service charges | | 124,828 | - | 124,828 |
| Other earned income | | 89,413 | - | 89,413 |
| Programme funds | 4 | 6,000 | 1,413,621 | 1,419,621 |
| | | <u>854,794</u> | <u>1,413,621</u> | <u>2,268,415</u> |
| Other income | | | | |
| Government grants (COVID support) | | 142,256 | - | 142,256 |
| Capital grants | | - | 75,000 | 75,000 |
| Total income | | <u>3,104,637</u> | <u>1,488,621</u> | <u>4,593,258</u> |
| Expenditure | | | | |
| Costs of raising funds | | | | |
| Fundraising costs | 8 | (52,540) | - | (52,540) |
| Commercial trading operations | 6 | (902,998) | - | (902,998) |
| | | <u>(955,538)</u> | <u>-</u> | <u>(955,538)</u> |
| Charitable activities | | | | |
| Operation of cinema, engagement and creative media projects | 9 | (2,164,586) | (1,413,621) | (3,578,207) |
| Donated services | | (3,854) | - | (3,854) |
| CIC operation | 7 | (504) | - | (504) |
| Property management costs | | (76,769) | - | (76,769) |
| Reversal of depreciation (Head lease revaluation) | 13 | - | - | - |
| Total expenditure | | <u>(3,201,251)</u> | <u>(1,413,621)</u> | <u>(4,614,872)</u> |
| Net income/(expenditure) before transfers and | | (96,614) | 75,000 | (21,614) |
| Net income/(expenditure) for the year | | | | |
| Transfers between funds | 20 | 109,248 | (109,248) | - |
| Other recognised gains and losses | | | | |
| Gains on revaluation of head lease | | - | - | - |
| Net movement in funds | | <u>12,634</u> | <u>(34,248)</u> | <u>(21,614)</u> |
| Reconciliation of funds | | | | |
| Total funds brought forward | | 9,106,085 | 1,293,421 | 10,399,506 |
| Total funds carried forward | | <u>9,118,719</u> | <u>1,259,173</u> | <u>10,377,892</u> |