

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

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

Registered company number 1608779

Registered charity number 284188

Year ended 31 March 2011

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Report of the Council of Management

The Council presents its annual report and the audited consolidated financial statements for the year ended 31 March 2011. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and iShed CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (“the Charities SORP”).

Objectives and activities

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

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

Watershed’s Vision

Watershed is a pathfinding cross-artform producer, sharing, developing and showcasing exemplary cultural ideas and talent. It is a space for cultural exchange which promotes engagement, enjoyment, diversity and participation in film, media arts and the creative economy.

Our strategic approach in achieving this vision is to:

- be a producer of inspirational cultural experiences and a pathfinder to future cultural experiences.
- identify, nurture and develop talent.
- produce open collaborations which bridge expertise, imaginations and boundaries to promote emergent practice.
- actively create and leverage networks, believing diversity of people, experience and culture is an asset.
- connect artists and audiences with creative, cultural and commercial constituencies nationally and internationally.
- act as a gateway to cultural appreciation, production and experience for the young people of Bristol.
- act as a pathfinder in the creative economy.

The Watershed brand is unique, trusted and respected and is driven by the following shared **values** which determine the approach to delivering our aims and objectives. Key drivers are user experience and maximising public value.

Watershed is:

- **People Led**
People are the engine of our organisation. We will never forget that we are here for the people we work with and for – without them Watershed would not exist.
- **Entrepreneurial**
We create opportunities, incubate ideas and take risks in order to explore new ways of looking at (and doing) things.
- **Make Things Happen**
Through partnership, innovation and exchange we make things work and aspire to excellence.
- **Open and Honest**
We provide a culture and environment that is trusting, trusted and trustworthy.
- **Celebratory**
At the heart of our offer is the celebration of culture, diversity, creativity and wonder.

Report of the Council of Management (*continued*)

Specific targets set for 2010/11 were to:

- Build on the work undertaken as part of the Thrive programme to develop the whole organisational approach which is being shaped by the Sustain process. Create a unified Watershed Web presence to bring together the complete offer on-line and to integrate it with the physical venue offer creating a multi platform exhibition, publishing and producing environment which delivers high quality experiences from the increasingly pervasive presence of the internet in public venue and place.
- Continue to establish iShed as a cultural entrepreneur supporting and promoting research and knowledge exchange across the cultural and creative industries.
- Develop young talent and media literacy skills creating a progression participation route between young people and creative media industry.
- Continue to raise our profile as a key cultural venue through a quality programme of international cinema and media arts.
- Co-produce networks, festivals and events to enhance the user experience of moving image and digital media.
- Work towards developing E&W sheds as a high quality cultural destination and creative hub.

Achievements and Performance

Watershed's cultural programme is designed to engage audiences in creative media activity from as wide a group as possible to deliver maximum public benefit. Our audience/participants span age ranges from young children to older adults and come from a broad range of cultural and social groups.

In the year we have continued to invest in our programme to develop and engage our audiences and artists through a wide range of media activity from the exhibition of world cinema to publishing creative content online and supporting the development of new talent.

Talent Development

The **Pervasive Media Studio**, opened in January 2008 and managed by iShed, continued to develop as an internationally leading cross artform innovation centre bringing together artists, academics and technologists to explore the future of mobile and wireless media.

Highlights of studio activity included:

- **Lunchtime talks** – the studio hosted 34 lunch time talks open to all to increase accessibility of the studio's activity to the general public. Talks attracted a total audience of 1,360 in the year.
- **Media Sandbox 3** – set up to support new ideas and facilitate new connections, the scheme gives small producers time, space and resources to turn ideas into working prototypes and deliver innovation in the creative digital market. Media Sandbox 2010 was delivered in association with Bristol City Council and Connecting Bristol's B-Open initiative and is a Creative Industries iNet programme, supported by South West Screen, European Regional Development Fund (ERDF) and The South West Regional Development Agency. A total of 7 commissions were awarded to support research and development of innovative content, applications and experiences under two strands: open data and pervasive media.
- **Theatre Sandbox** - a commissioning scheme for artists & companies to research and develop new ideas which use pervasive media technologies. The project was produced in collaboration with Bristol Old Vic, Soho Theatre, Lyric, Hammersmith, MAC, Contact and The Junction and was supported by the National Lottery through Arts Council England.

In total 6 commissions were offered under the scheme and the project was a huge success. The scheme was covered in the Guardian (<http://www.guardian.co.uk/culture/2010/nov/09/theatre-of-the-nerd>) and an independent evaluation of the scheme can be viewed at <http://www.theatresandbox.co.uk/2010-evaluation/>

Workshops undertaken as part of the project attracted 275 participants and 200 members of the public attended the final showcase event.

- **Unlocking Markets for Content Delivery** – Watershed completed its collaborative research project with Bristol Old Vic, Historic Royal Palaces the New Museum of Bristol and Calvium to pilot the delivery of located media experiences. The project was supported by funding from the Technology Strategy Board.
- **Artists Residencies** – a residency programme supported by Arts Council South West enabling artists to research, present and produce projects at the intersection of art, technology and culture. In all, 8 artists were supported in the year.

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- **“We are Forests”** - a new sonic artwork by artists Duncan Speakman and Émilie Grenier using mobile technologies to connect strangers in a fascinating experience. The project is being developed as part of a cross-European residency programme, supported by the Pervasive Media Studio, Netherlands Media Arts Institute (Nimk), Kitchen Budapest and 5daysoff festival. See www.pmstudio.co.uk/project/cross-european-residency

The studio currently offers support to 104 residents and hotdeskers exploring projects which include gaming, projections, location based media, digital displays and new forms of performance. In the year we welcomed 27 new part-time and full time residents. Its unique offering of space, access to new technologies, an interdisciplinary collaborative community, academic research support and funding leverage has positioned it as a national and international resource for high quality research around context driven art and media.

Audience Engagement

Following the launch of the new **dShed** site in November 2009 we have begun to work on creating a unified web presence for Watershed. This will unify the complete Watershed offer on-line and integrate it with the physical venue offer creating a multi platform exhibition, publishing and producing environment to deliver high quality audience experiences both in the venue and through the internet. The new site is expected to go live in summer 2011.

Highlights of new work added to the public web resource in 2010/11 include:

- **Depict!** – Watershed’s 90 second filmmaking competition and part of the Encounters International Short Film Festival. 400 films were submitted from 39 different countries. The site received 213,233 visits in the year and films can be viewed at www.depict.org.
- **Electric December** – In 2010 young people from across Bristol helped shape Watershed’s annual on-line “advent calendar”. The final 24 selections were chosen from over 100 entries from 10 European countries including Lithuania, Romania, Denmark, Spain and the UK. See www.electricdecember.org/10
- **“The Box”** – a five minute docu drama made by a group of 14-19 year olds as part of a Watershed film making project supported by First Light. In March 2011, the film won a “Best Film by Over 13s” at the prestigious First Light awards ceremony. See www.dshed.net/box.

The dShed site not only provides an extensive virtual exhibition platform displaying a wealth of creative content but is also a valuable education resource giving access to talks, discussions and reports on a wide range of topics around the creative media. Examples in the year include:

- **Artists’ residencies talks** – Talks by artists offered residencies at the Pervasive Media studio to develop creative ideas exploring digital practice (supported by funding from Arts Council South West). Jay Kerry and Becca Gill talk about their project to recreate the magical illusions of the last century using contemporary pervasive technologies. Hazel Grian talked about her inspiration for Daemon, a robotic character working in unison with its real life counterpart.
- **Decalogue** - Throughout the year Watershed presented a series of talks, screenings and online debates reflecting on the first decade of the second century of cinema. Special guests included Sight & Sound Editor Nick James introducing a screening of “Dancer In The Dark”, Professor Ian Christie of Birkbeck College introducing “Russian Ark” and author Catherine Wheatley on Michael Haneke’s “Hidden”.
This activity provides an opportunity for all to engage with a critical debate around films that arguably will redefine a new century of cinema. The events were attended by 334 people and the event recordings on dShed attracted 892 views in the year.
- **The Passion of Joan of Arc** - A short documentary by Rick Holbrook following the progress of renowned musicians Adrian Utley and Will Gregory as they embark on a unique collaboration to develop a new score for this classic film about the last days of Joan of Arc.
- **She, A Chinese** - A Q&A session hosted by film maker Mark Kidell. Composer and musician John Parish talks about creating the score for Xiaolu Guo's award winning debut feature film.
- **Eyes Wide Open** - A post-screening discussion with the film's director Haim Tabakman talking about the background to the film and the challenges around its making.
- **The Goodies in Conversation** – As part of the Slapstick silent film festival and, on the eve of their 40th anniversary as the Goodies, Tim Brooke-Taylor, Graeme Garden and Bill Oddie speak to Sir Christopher Frayling about their comic creations.

Report of the Council of Management (*continued*)

DShed continues to receive positive feedback and our web audience continues to grow extending the public impact across location and time. In 2010 the number of unique visits to Watershed online resources totalled 2,967,511 and page views totalled 20,155,127.

In addition to its own creative content sites Watershed provided hosting services in the year for a number of partners and projects.

Through its public engagement programme of moving image media Watershed provided the public with a rich and varied programme of films, seasons, festivals and special events, celebrating and exploring all aspects of the moving image.

In 2011, a total of 2,984 screenings of 329 films/film programmes were presented to a total audience of 123,103 (123,719 in 2010/11). In total 31 producing countries were represented by the film programme.

Accessibility is a key part of Watershed's ethos and we aim to reach as broad a range of people as possible, and achieve maximum public benefit through our public programme. We continued to develop our programme for deaf and blind users in the year by providing audio description and descriptive subtitling on a selection of titles including *Alice in Wonderland*, *Whatever Works*, *The Illusionist*, *Tamara Drewe*, *Made in Dagenham*, *Another Year*, and *The King's Speech*.

In addition, specific programme strands were targeted at disadvantaged groups, including:

- **The 1st UK Disability Film Festival Day** - hosted by Watershed on the International Day of Disabled People and presented by the UK's leading disability arts and media organisation DASH, supported by ScreenWM. The Festival included the best of the Oska Bright festival and the first national screening of the UKFC funded project *Magic Hour*; plus a selection of shorts from around the world and a network event hosted by art + power promoting Bristol film-making by disabled people.

We continued to improve access to our programme for parents/carers with young babies through our cinebabies programme of weekly daytime screenings, providing an environment where babies are welcome in the cinema with the provision of a buggy storage, nappy changing and bottle warming service.

Highlights of Watershed's cinema programme included:

- **Decalogue** - Watershed's year-long series of talks, screenings and online debates reflecting on the second century of cinema. (watershed.co.uk/decalogue/)
- **Festival of Ideas** – Watershed hosted the festival in its 6th year with an inspiring programme of discussions and screenings, looking at some of the key issues of our time.
- **Brunch Screenings** - introduced into our cinema programme in 2009/10, brunch screenings offer short seasons of films screened over a Sunday lunchtime. Twelve seasons ranging from *Celebrations of Tati* to *Dennis Hopper* and *Graham Greene* were screened in the year.
- **Intense Intimacy: The Cinema of Claire Denis** - a retrospective of the critically acclaimed director's work. The titles subsequently toured to 10 venues across the UK and Ireland. The season attracted local and national media attention including *The Guardian* Guide listing, *The Times* - Editor's Choice and *The Independent*.
- **Cyclescreen** – Bristol's first dedicated bike festival presented a season of inspiring cycling films, documentaries, lectures and interactive events celebrating cycling culture in its varied forms.
- **Sheffield Doc/Fest On Tour** – Watershed hosted highlights from the 2010 Sheffield Doc/Fest, the UK's premier festival of factual film.
- **Silent Sensation: BFI National Archive strand** – 2 programmes presented by Watershed as one of three venues selected by the BFI National Archive to take part *Silent Sensations*, a BFI initiative providing subsidised access to some of the BFI National Archive's collections of silent film.
- **Slapstick Silent Film Festival** - Watershed played host to this annual celebration of silent comedy returning to Bristol for its seventh year.
- **Wildscreen** – Watershed hosted the world's largest and most prestigious wildlife and environmental film festival as it returned to Bristol with over 150 talks, debates, film screenings, training workshops and social events.
- **Encounters International Short Film Festival** – Watershed hosted the UK's leading short film festival in its 16th year, attracting a total audience of 4,217 with delegates visiting from around the world.

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- **London Lesbian and Gay Film Festival** - Watershed partnered with Pride Bristol to present highlights from BFI's 24th London Lesbian and Gay Film Festival showcasing the best in lesbian and gay cinema from around the world.
- **BAFTA Preview: The King's Speech** - BAFTA preview of the award-winning historical drama followed by a Q&A session with producers Iain Canning and Gareth Unwin, filmed and published on dShed.net.

In November 2010 Watershed was selected from among 1,000 cinemas across 500 European cities, to be presented a major international award by Europa Cinemas naming Watershed as 'Entrepreneur Cinema of the Year'. The award recognises Watershed's outstanding approach to reaching the widest possible audiences and its dedication to showing the best in independent and world cinema.

The prize was accepted by Mark Cosgrove, Head of Cultural Programme at Watershed in the presence of director Wim Wenders at the 15th Europa Cinemas Network Conference in Paris.

Regular film events led and hosted by Watershed to increase public awareness of the moving image included:

- **Cinéphiles** – A monthly film discussion group.
- **Cinéformation** - A network of local filmmakers fostering a creative, active filmmaking community in the South West. See <http://www.cineformation.com>
- **Screenwriters' Group** - a monthly meeting of local screenwriters. See bristolscreenwriters.org

We continued to develop the crossover of music and film through:

- **The Passion of Joan of Arc** – the world premiere of a new musical score by Adrian Utley and Will Gregory for this classic film. A unique collaboration between the two writers, Watershed and Colston Hall. Following the première at Colston Hall the work toured to venues including BFI Southbank and the Warszawa Chamber in Poland.

In the year Watershed continued develop the cultural offer targeted at audiences from Black and Minority Ethnic (BME) groups, engaging with the sector and encouraging diversity in our audiences. Highlights within our programme included:

- **St Pauls Carnival Fringe Film Season** – a season of films, talks, music and dance celebrating Black creative talent and communities in partnership with The New Black, Firstborn Creatives, St Paul's Carnival and Afrika Eye.
- **Afrika Eye Festival** – presenting a vibrant line-up of African cinema, music and discussion with a particular focus on World Cup host South Africa.
- **Focus on Jafar Panahi** - A season of Iranian filmmaker Panahi's most celebrated films.
- **Mawa Langa** - The UK premiere of Mawa Langa, an HIV awareness raising initiative by charities based in the UK & Malawi followed by a panel session.
- **Burma VJ: Reporting from a Closed Country** – a talk and screening presented by author Emma Larkin, presented in partnership with the Festival of Ideas.
- **Alternate Iraq Enquiry** - A documentary screening followed by a panel discussion presented in partnership with the Festival of Ideas.
- **Second Light Participants – Industry Visit** - A session on the exhibition / distribution end of the film chain specifically tailored for some of the young BME creatives involved in the Second Light Project for young people from the Bristol area with a black and minority ethnic background.
- **Hong Sangsoo retrospective** - a retrospective of the works of Korean director Hong Sangsoo curated by the Independent Cinema Office in partnership with the Korean Cultural Centre.

Watershed engages and develops younger audiences by fostering a culture of curiosity, participation and progression. We aim to:

- get young people engaged in world cinema and media
- develop and showcase young talent
- promote media literacy

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Aspects of Watershed's programme targeted to achieve this included:

- **Cinekids** - targeted at our youngest audiences, our regular Cinekids events offer children from 8 – 12 years the opportunity to participate in a monthly screening and workshop programme that aims to capture young imaginations and encourage early interest in film and narrative forms.
- **The Young Leaders Programme** – a training programme for 16-25 years olds interested in building their skills for future training or employment in the cultural and creative industries. The project was made possible through the V Project Young Volunteer Grants Scheme providing opportunities for sixteen young volunteers to work closely with creative industry professionals and Watershed staff to plan and deliver a programme of media related activities for other local young people and children.

Many of the Young Leaders have applied the learning gained through participation in the programme to the development of their own pathways into employment in the creative industries or further study.

- **Fresh Flix - Inspiring Young Creative talent** - a programme of screenings, workshops, local premieres and cross-art form performances presented by Encounters International Festival and Watershed to inspire and support the creativity of young people and provide a platform for young creative talent. The success of Fresh Flix '10 came from the range of partnerships involved including Arnolfini, BAFTA, BFM, Bristol CND, Calling The Shots, First Light, Knowle West Media Centre, Music South West, RELAYS, Sharp Shutz and Teenage Rampage.
- **RELAYS** (Regional Education Legacy in Arts and Youth Sport) - a regional Cultural Olympiad initiative supported by the Higher Education Regional Development Association (HERDA). A programme of linked cultural and sporting opportunities across the South West marking one of the regions contributions to the forthcoming 2012 Olympiad in London. Watershed is one of three venues contributing cultural activity to the RELAYS celebrations. See <http://watershed.co.uk/relays/>.

RELAYS activities in the year include:

- **Short Cuts** - A filmmaking programme for young people from across Bristol providing an opportunity to develop, plan, produce, edit and showcase a short film.
- **Citizen Journalism** - a pilot project working with a small group of Fairfield school's BTEC Media students, reporting on sports events using smart phones to post images, video, text and audio 'phlogs'.
- **Let the Games Begin** – Watershed delivered 5 day-long media literacy workshops themed around the World Cup attended by 168 year 9/10 students from 5 Bristol schools. Volunteers from the BBC helped out during the sessions.
- **Fairfield High School partnership:** Watershed and Fairfield High School continue to work in partnership to explore how the film, media and creative industries can support schools to develop media literacy in the curriculum. Watershed aims to extend the reach of the partnership to other schools.
- **National Schools Film Week:** In collaboration with Film Education, Watershed presented 7 screenings for primary and secondary school students.
- **Dedicated Schools Screenings:** Throughout the year Watershed provided special screenings, outside of normal programming hours, to accommodate schools' requests for films. Feature films presented included MICMACS, Africa United, Benda Bilili!, Lourdes, Scouting Book For Boys, London River, The Class, Rare Exports: A Christmas Tale and The Cave of Forgotten Dreams in 3D.

Through our schools screenings, Media Literacy workshops and the Electric December Inspiration Day, Watershed has worked with 25 schools from Bristol, Bath and Somerset, ranging from Primary to Sixth form education.

Watershed also regularly plays host to showcases of young people's projects and films from across the City. In the year, these included:

- **Bristol Hospital Education Service** - A special showcase of creative work by young people, developed by musician Tony Orrell through his work with Bristol Hospital Education Service.
- **Filton College Annual Showcase & Award Ceremony** – showcasing student works throughout the year comprising short films, adverts and documentaries.
- **"Loaves and Fishes" short film premiere** - Watershed hosted the premiere of "Loaves and Fishes" a short film made and produced by year 6 students from St Barnabas Church of England Primary School and Knowle West Media Centre and Funded by the Bristol Archdeaconry Charity.

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- **Sharp Shotz Award Ceremony** - A showcase of the winning films from the Sharp Shotz Animation Competition, with performances of the winning title tracks from Sharp Shotz Unsigned 2010.
- **Mediabox Screening** - Supported by Fresh Flix, this celebratory event showcased Mediabox projects created and produced by youth organisations based in and around Bristol. These included Integrate, 2nd Chance Project, Knowle West Media Centre and Basement Studios.
- **BBC School Report** – In partnership with the BBC, Watershed, Redland Green and City Academy, Fairfield students helped recreate a live newsroom at Watershed. A highly dynamic and inspirational day, students researched and reported current news working alongside BBC experts covered live on BBC Points West.

As well as increasing awareness of media in young people Watershed works to increase the media knowledge and skills of those involved in the delivery of activities for young people. In 2010/11 this included:

- **Engage Youth: digital tools for participation** - Watershed was the lead partner in providing a continuing professional development programme for European youth workers wishing to learn how to use accessible digital communications tools to help extend and sustain engagement with young people. 25 youth workers from across the 4 partner countries (UK, Denmark, Germany and Greece) were involved in the project.

All of this activity has been supported by investment in developing stronger audience relationships through:

- **Social Networking** - Watershed now has over 1,400 Facebook friends and over 5,000 followers on Twitter, opening up personal dialogue with the public.
- **E-mail monitoring system** – enabling us to monitor what users are viewing, helping us to build a picture of which key messages our subscribers are responding to. We currently have over 10,000 active subscribers and can adapt and personalise content in response to improved analysis.
- **Loyalty Card Scheme** - to add value to our service, increase public benefit and to help improve Data Capture rates Watershed introduced a loyalty card scheme in December 2009. Since its launch we have recruited over 4,000 Loyalty Card holders.

Monitoring and Evaluation

Watershed sets high standards in every aspect of its operation and aims to deliver excellent value and maximum public benefit across all areas of activity. In order to ensure standards are met Watershed assesses its work and monitors outputs on an ongoing basis. Individual projects are evaluated on completion and the outcomes assessed in terms of objectives achieved and benefits delivered.

Providing an excellent customer experience is crucial to the Watershed ethos. We aim to ensure that all our users from artists to cinema goers, from on-line users to visitors to our café/bar receive a quality, valued experience. To ensure our standards are maintained we monitor attendance levels and respond to feedback from our users. Information is gathered through monitoring and feedback forms which visitors and participants in projects and events are asked to complete.

In addition, every five years an independent consultant is appointed to undertake extensive market research to enable Watershed to establish its position in terms of market share, levels of customer satisfaction and the public benefit being delivered. The research covers the cinemas, café/bar and on-line activities.

Our monitoring and evaluation processes form an important role in the strategic planning and long term vision of the organisation.

Reports published during the year include:

- **Some Kind of Magic** – an evaluation of Theatre Sandbox 2010 written by Annie Warburton. Theatre Sandbox is a commissioning scheme for artists and companies to research and develop new ideas which use pervasive media technologies.
- **If it didn't exist...** - A collection of interviews between Steve Wright, (Arts Editor of Venue magazine) and some of the creative individuals and artists that Watershed collaborates with exploring the creative impact of Watershed.
- **Producing the Future - Understanding Watershed's Role in Ecosystems of Cultural Innovation:** A case study of Watershed produced by Graham Leicester and Bill Sharpe from the International Futures Forum.

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Profile and Representation

Watershed's role continues to develop both nationally and internationally and its influence extends far beyond the building in which it is based. In the year Watershed representatives were invited to take an active role in a number of important national and international festivals, events, conferences and committees. These included:

- APAP – global performing arts marketplace and conference (New York, USA) – presentation on the subject of Watershed's creative practice in the context of a recent International Futures Forum publication.
- UK Core Cities Leaders Group (UK) – presentation on the subject of the role of cultural and creative industries in the digital economy.
- Media Festival Arts (London, UK) – member of advisory board of the UK's leading event for converging digital media.
- Bristol Partnership – Chair of this local strategic partnership for the Bristol Local Authority District.
- Europa Cinemas Conference (Paris, France) – representing Watershed to accept the award of 'Entrepreneur Cinema of the Year' in recognition of Watershed's outstanding approach to reaching the widest possible audiences and its dedication to showing the best in independent and world cinema.
- Certificate FL Launch (London, UK) – guest speaker at an event to launch the Certificate FL facebook page designed to be a forum for film professionals and enthusiasts supporting international foreign language films.
- Ritrovato Festival (Bologna, Italy) – guest speaker at this festival presenting rediscovered and restored films. Young audience sessions at the festival were facilitated by a Watershed representative.
- SxSW music and film interactive (Austin, Texas, USA) – leading the UK showcase to promote creativity in the South West at this festival exploring creativity in emerging technology.
- CinDi Festival (South Korea) – consultancy for Europa Cinemas.

In addition, Watershed representatives attended a wide range of conferences and events sharing knowledge with a wide range of individuals and organisations from around the world. These included:

- Digital Creative Conference (Tokyo, Japan)
- RCA Innovation Workshop (London, UK)
- State of the Art Conference (London, UK)
- Bristol Vision Conference (Bristol, UK)
- TribeCon Community Conference (New Orleans, USA)
- Culture Hack Day (London, UK)
- ICO Screening Days (London, UK)
- Wildscreen (Bristol, UK)
- Cannes Film Festival (Cannes, France)
- London Film Festival (London, UK)
- Alternative Content Conference (Manchester, UK)
- Media Mundus Launch (London, UK)
- Cambridge Film Festival (Cambridge, UK)
- Berlin Film Festival (Berlin, Germany)
- Tampere Short Film Festival (Tampere, Finland)
- Diversity, What Next Symposium (Bristol, UK)

Our contribution to arts and culture is widely acknowledged. In recognition of his contribution to the arts and creative economy in Bristol Watershed's Director, Dick Penny, was awarded an honorary Doctor of Laws by the University of Bristol, an Honorary Doctor of Arts by the University of the West of England and received an MBE in the New Year honours list.

In addition, Watershed participated in the purple flag City Centre inspection of September 2010 which resulted in Bristol being one of the first cities to achieve Purple Flag status.

Our role as landlord to 5 units within E&W sheds remained a challenge in the year as the recession continued to impact on our tenants.

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E&W sheds

Of the 2 units which closed in the previous financial year one has been let to Harbourside Bristol, an independent café/bar with friendly vibe, which also plays host to the Bristol Ferry Boat Company. This is in keeping with our long term aim to bring about change in the mix of use along the harbourside to move from a drinking culture to a more creative mixed use economy which is synergistic with Watershed. With the letting of a unit to Destination Bristol in the previous year, we are now seeing the start of this transition.

One unit remains vacant and we have stripped this out in the year to enable it to be split easily into two or more units to increase marketability. It is our intention to let this unit (previously a bar) to businesses whose ethos is more in line with that of our own. However, despite actively marketing the property, the recession is limiting interest.

Rental income from E & W sheds continues to be applied to the charitable objectives of the Trust in line with our agreement with SWRDA who funded the purchase.

Financial review

The consolidated results are set out on page 19 and show a deficit of £79,249 (2010: surplus of £312,845) for the year. The surplus on unrestricted funds for the year totalled £17,227 (2010: surplus of £3,413).

- Cinema ticket sales in the year totalled £569,015 (2010: £539,142).

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

Watershed Trading Limited generated profits before tax of £72,070 (2010: £94,602) and made donations of £72,070 (2010: £85,189) through gift aid to the Charity.

- Café/bar food and liquor sales totalled £1,099,238 (2010: £1,036,319). In the year we have focussed on efficiently delivering an affordable quality food offer based on a plot to plate ethos using fresh, locally sourced produced and providing an exceptional customer experience. We have seen the costs of purchasing and delivering stock increase significantly in the year and we have worked hard to successfully maintain our margins on food and liquor sales through careful product selection and menu design.
- Conference income totalled £337,332 (2010: £324,970). The recession continues to seriously impact on this area of our business. Whilst we have seen a small increase in events sales in the year we are still trading below our pre-recession levels of business. The indications are that current trends will continue in the next year.

The development of a catering development plan to maximise the profits from the Trading company is ongoing.

Watershed's subsidiary, iShed CIC, undertook projects to promote collaboration between artists and the creative industries, providing support to explore the potential of new technologies.

iShed CIC generated profits before tax of £3,071 (2010: £1,509) and total revenue of £469,728 (2010: £180,898). The substantial increase in revenue in the year was primarily due to an award of £200,000 from Arts Council South West for the Theatre Sandbox project.

The principal funding sources, apart from profits from Watershed Trading Limited, were cinema admission fees (14% of group turnover), rental income/service charges from the tenants of E and W sheds (7% of group turnover), core grant funding from Arts Council South West and Bristol City Council (11% of group turnover) and project funding in the form of grants, service contracts and sponsorship (31% of group turnover). Project funding was received from a range of partners including Arts Council South West, South West Screen, Bristol City Council, the Technology Strategy Board, South West Regional Development Agency and the European Commission.

Watershed operates in a mixed economy with a complex income portfolio and the recession has continued to significantly impact on our business in the year.

Around 58% of our income is generated from our own resources through cinema revenue, rental income from the head-lease, café/bar food sales and event sales and these areas are at risk in a time of recession. Our conference sales in the year showed only a small increase on the previous year continuing the trend of reduced sales. We are currently trading at around 16% below pre-recession levels in this area which equates to approximately £60,000 of profit.

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However, the most significant impact of the recession we have seen is on our head lease tenants. Of the two units which ceased trading at the end of the previous year one has been re-let with a 6 month rent free period in the year and one remains vacant. This has not only lost Watershed a significant amount of rental income but has resulted in additional costs associated with management fees and service charges. The total negative impact for Watershed in the year is in excess of £200,000.

To help mitigate the impact of recession we have continued to reduce overhead costs wherever possible, without compromising our offer and have monitored performance closely throughout the year.

Watershed's acceptance onto the Arts Council's Sustain programme in the 2009/10 financial year is key to our mitigating the impact of recession. The scheme was established to assist organisations in coping with the impact of recession and has provided us with the funds to compensate for lost income over a 2 year period. The scheme has enabled us to maintain our artistic outputs in the year and deliver maximum public benefit. Significantly, the scheme has also provided us with the opportunity to take an in-depth look at our business model. In the year, we continued working closely with an external consultant to re-position ourselves for future development and our Vision 2015 Business Plan was completed and approved by the Council of Management in the year. The plan provides a clear articulation of the Watershed offer and outlines our creative and financial vision for the future together with the milestones needed to achieve it.

Important to the success of our plan is the development of our relationship with Arts Council England and a move towards increased stability with our funding arrangements.

Following government funding cuts the Arts Council has reviewed its portfolio of regularly funded organisations. Three year funding decisions were announced in March 2011 and Watershed is delighted to have secured investment for the financial years 2012/13 to 2014/15. This reinforces our relationship with the Arts Council and our position as a leader in creative digital innovation. It also provides us with the stability to move forward with our Vision 2015 plan.

In addition, in March 2011, Watershed secured funding from the Arts Council's Grants for the Arts scheme to consolidate its digital infrastructure in the coming year, mitigate the continuing impact of recession and move forward with its Vision 2015 plan. This funding helps bridge the gap until the commencement of our new funding arrangement in 2012/13.

We will continue to work towards a financial model which is self sustaining, robust and gives a higher level of stability. To this end will work to develop and strengthen existing partnerships, seek out new sources of investment and maximise our earned income streams.

In order to deliver financial stability prudent budgeting with realistic margins and achievable income targets are considered essential. In the year we will closely monitor our performance against budgeted targets, and take action as appropriate to ensure that Watershed remains on track.

Reserves policy

The purpose of Watershed's reserve fund is:

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

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

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

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

Report of the Council of Management *(continued)*

In addition to this reserve fund, Watershed has established a designated development fund specifically to ring fence surpluses associated with the rental income from E and W sheds. At the end of the financial year 2010/11 Watershed has £111,644 in unspent funds from this source.

This designated fund is for the purpose of:

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

The level of funds held in reserve, and the Trust's requirements for such funds are reviewed annually by Watershed's trustees. The reserves policy was reviewed at the meeting of the Council of Management held on 30 March 2011.

At the end of 2010/11 free reserves totalled £103,246.

Plans for future periods

Our overall objective in the medium to long term is to continue to attract talent, reward curiosity and deliver distinctive value into a wider ecosystem by achieving:

- an environment and expertise which are cherished and highly valued by artists and audiences
- a cultural programme which amplifies and extends the full breadth of the organisations activities - showcasing talent and remaining accessible to new participants
- a programme for young people which develops media literacy in the school curriculum and beyond
- recognition as a national centre of excellence for development of creative digital practice, talent and knowledge exchange
- an active network of national and international partners promoting talent around the world
- strong stakeholder relations where Watershed and stakeholders share common ambition and expectation
- international status for Bristol as the place to develop new ideas in emergent cultural practice
- a dynamic balance between business, cultural engagement and innovation

Towards these objectives in 2011/12 we will:

- complete the creation of a Watershed Web Portal to unify the complete Watershed offer on-line and to integrate it with the physical venue offer creating a multi platform exhibition, publishing and producing environment which delivers high quality experiences from the increasingly pervasive presence of the internet in public venue and place
- continue to establish iShed as a cultural entrepreneur supporting and promoting research and knowledge exchange across the arts and creative industries.
- continue to foster talent development and provide support to individual artists wanting to explore opportunities with digital technology
- develop young talent and media literacy skills and create a progression participation route between creative media industry and young people.
- continue to raise our profile as a key cultural venue through a quality programme of international cinema and media arts.
- co-produce networks, festivals and events to enhance the user experience of moving image and digital media.
- continue to work towards developing E&W sheds as a high quality cultural destination and creative industries hub.
- develop the multi media skills of older learners to increase understanding of digital practice

Structure, governance and management

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

Report of the Council of Management *(continued)*

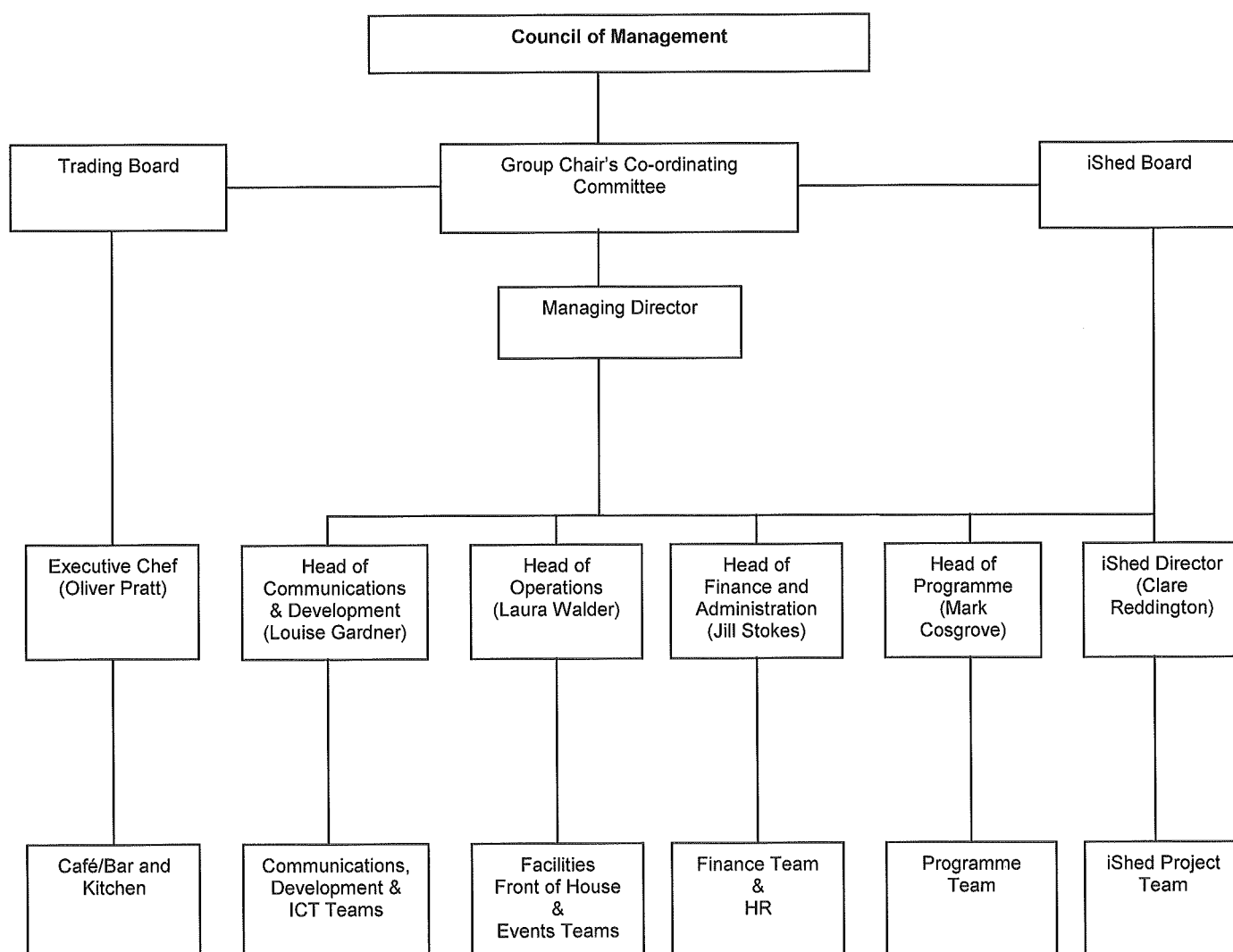
Watershed's governance structure is established to reflect and support the Group structure and our core values. It provides the management capacity and expertise to deliver our aims and objectives.

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

Potential members with an expertise required by Watershed are actively sought out and invited to attend meetings of the Council of Management 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.

We recognise that maintaining an effective Board is essential to Watershed's success. During the year we began the process of reviewing the skills and operation of our Council of Management through a series of Board development sessions. This work will continue in the coming year to enable us to make changes were necessary to ensure that our Council of Management has the skills, expertise and connections to move the organisation forward.

Watershed's organisational structure is shown in the diagram below. There are five senior managers reporting to the Managing Director and one other senior manager reports to the Head of Communications. Senior managers take responsibility for the day-to-day operation of Arts Trust and Trading operations. The Managing Director focuses on strategy and co-ordination of the Group.



Report of the Council of Management *(continued)*

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

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

Equality is a key dimension of the Watershed offer and begins with employment practice. Watershed runs regular equalities training for all staff and reviews its Equal Opportunities Policy on an annual basis.

Risk management

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

As indicated in the Business Plan, Watershed's risk management strategy involves further development of:

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

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

Report of the Council of Management (*continued*)

Statement of responsibilities of the trustees of Watershed Arts Trust Limited in respect of the Council of Management report and the financial statements

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Reference and administrative details

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

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

Elected Trustees

W. J. Bowen

S. Williams

Dr. D. Price

L. Bilbe

P. Appleby

J. Touzel

Dr. J. Chakrabarti-Gallemore

Prof. M. Lister

D Bunyan

C. Garcia – resigned Dec 2010

City Council nominees

Cllr. N. Harrison

Helen Holland

Report of the Council of Management *(continued)*

Secretary: W. J. Bowen
Managing Director: Dick Penny
Charity number: 284188
Company number: 1608779
Registered Office: 1 Canon's Road, Harbourside, Bristol, BS1 5TX
Auditors: Nexia Smith & Williamson, Portwall Place, Portwall Lane, Bristol, BS1 6NA
Bankers: HSBC Bank, 62 George White Street, Cabot Circus, Bristol, BS1 3BA
Solicitors: TLT Solicitors, 1 Redcliff Street, Bristol, BS1 6TP

Disclosure of information to auditors

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

Auditors

At its annual general meeting, the Council of Management appointed Nexia Smith & Williamson as auditors.

By order of the Board



D Price
Member of the Council of Management

1 Canons Road
Bristol
BS1 5TX

Date 21 October 2011

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

We have audited the financial statements of the group and charity of Watershed Arts Trust Limited for the year ended 31 March 2011 which comprise the consolidated statement of financial activities (including the income and expenditure account), the consolidated and charity balance sheets, the consolidated cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As described in the Statement of Trustees' Responsibilities on page 15 the trustees (who are also the directors of the Charitable company for the purposes of Company Law), are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable group's and parent charitable company's affairs as at 31 March 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

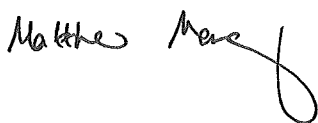
In our opinion the information provided in the Report of the Council of Management for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.



Matthew Maneely
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date 28 October 2011

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Consolidated statement of financial activities (including an income & expenditure account)
for the year ended 31 March 2011

	<i>Note</i>	Unrestricted Funds	Restricted Funds	Total Funds 2011	Total Funds 2010 (Restated)
		£	£	£	£
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	3	203,566	58,780	262,346	223,613
Activities for generating funds	5	1,435,935	-	1,435,935	1,389,127
<i>Investment income:</i>					
Interest receivable		291	-	291	237
		1,639,792	58,780	1,698,572	1,612,977
<i>Incoming resources from charitable activities</i>					
Earned income from cinema activities		614,026	-	614,026	568,698
Rental Income		167,473	-	167,473	326,450
Service charges		114,424	-	114,424	130,105
Other earned income		20,400	-	20,400	59,112
Project funds	3	-	968,950	968,950	514,586
Core grant funding	3	442,807	-	442,807	435,450
		1,359,130	968,950	2,328,080	2,034,401
<i>Other incoming resources</i>					
Capital grants (building/construction/refurbishment)	3	-	63,865	63,865	459,793
		2,998,922	1,091,595	4,090,517	4,107,171
Resources expended					
<i>Costs of generating funds</i>					
Costs of generating voluntary income	7	8,332	-	8,332	8,532
Commercial trading operations	5	1,219,446	-	1,219,446	1,129,964
		1,227,778	-	1,227,778	1,138,496
<i>Charitable activities</i>					
Operation of cinema and digital media projects	8	1,294,408	1,027,730	2,322,138	2,316,533
iShed CIC operations	6	455,847	-	455,847	153,709
Property management costs		114,424	-	114,424	130,105
<i>Governance costs</i>					
	7	49,579	-	49,579	55,483
		3,142,036	1,027,730	4,169,766	3,794,326
Net (outgoing)/incoming resources before transfers and Net (expenditure)/income for the year					
		(143,114)	63,865	(79,249)	312,845
Transfers between funds					
	19	160,341	(160,341)	-	-
		17,227	(96,476)	(79,249)	312,845
<i>Reconciliation of funds</i>					
Total funds brought forward		276,496	8,028,289	8,304,785	7,991,940
		293,723	7,931,813	8,225,536	8,304,785

Incoming resources and resulting net movement in funds in each year arise from continuing operations.

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

The notes on pages 22 to 38 form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2011

	2011	2010
	£	£
Net cash (outflow)/inflow from operating activities	(3,731)	756,465
Returns on investments and servicing of finance	291	237
Taxation paid	(411)	(1,601)
Capital expenditure and financial investment	(93,763)	(504,185)
	<hr/>	<hr/>
Net cash flow before financing	(97,614)	250,916
Financing – increase in loans	80,000	-
	<hr/>	<hr/>
(Decrease)/increase in cash	(17,614)	250,916
Cash at bank and in hand at beginning of year	559,183	308,267
	<hr/>	<hr/>
Cash at bank and in hand at end of year	541,569	559,183
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of operating profit to net cash flow from operating activities

	2011	2010
	£	£
Net (outgoing)/incoming resources	(79,249)	312,845
Tax on ordinary activities	2,053	2,140
Interest receivable	(291)	(237)
Depreciation charges	210,999	219,834
Loss on disposal of fixed assets	-	6,256
Change in stocks	1,959	(2,791)
Change in debtors	(38,699)	(9,021)
Change in creditors	(100,503)	227,439
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(3,731)	756,465
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement of net funds

	2011	2010
	£	£
(Decrease)/increase in cash in period	(17,614)	250,916
Increase in loan	(80,000)	-
	<hr/>	<hr/>
Change in net funds	(97,614)	250,916
Net funds at 1 April 2010	559,183	308,267
	<hr/>	<hr/>
Net funds at 31 March 2011	461,569	559,183
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of changes in net funds

	At 1 April 2010	Cash flows	Non-cash movements	At 31 March 2011
	£	£	£	£
Net cash:				
Cash in hand and at the bank	559,183	(17,614)	-	541,569
Debt:				
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	(80,000)	-	(80,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	559,183	(97,614)	-	461,569
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 22 to 38 form part of these financial statements.

Consolidated and company balance sheets

at 31 March 2011

	Note	Group		Charity	
		2011	2010	2011	2010
		£	£	£	£
Fixed assets					
Tangible assets	12	8,121,840	8,239,076	8,105,974	8,212,510
Investments	13	-	-	101	101
		<u>8,121,840</u>	<u>8,239,076</u>	<u>8,106,075</u>	<u>8,212,611</u>
Current assets					
Stocks	14	18,305	20,264	-	-
Debtors	15	338,054	299,355	361,246	300,836
Cash at bank and in hand		541,569	559,183	278,161	270,581
		<u>897,928</u>	<u>878,802</u>	<u>639,407</u>	<u>571,417</u>
Creditors: amounts falling due within one year	16	(713,960)	(811,339)	(467,188)	(505,467)
Net current assets		<u>183,968</u>	<u>67,463</u>	<u>172,219</u>	<u>65,950</u>
Total assets less current liabilities		8,305,808	8,306,539	8,278,294	8,278,561
Creditors : due after more than one year		(80,000)	-	(80,000)	-
Provisions for liabilities and charges	17	(272)	(1,754)	-	-
Net assets		<u>8,225,536</u>	<u>8,304,785</u>	<u>8,198,294</u>	<u>8,278,561</u>
Unrestricted funds	18	293,723	276,496	266,481	250,272
Restricted funds	19	7,931,813	8,028,289	7,931,813	8,028,289
Total funds		<u>8,225,536</u>	<u>8,304,785</u>	<u>8,198,294</u>	<u>8,278,561</u>

These financial statements were approved by the Council of Management on 21 October 2011 and were signed on its behalf by:



D Price

Member of the Council of Management

The notes on pages 22 to 38 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

Restatement of comparators

The comparators have been re-analysed to be consistent with the current year.

Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), and Watershed Trading Limited and iShed CIC its wholly owned trading subsidiaries made up to 31 March 2011.

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

The trading results of the subsidiaries are disclosed in notes 5 and 6 to these financial statements.

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

Grants

Grants received in respect of revenue expenditure are credited to income in the period to which they relate. One off non specific revenue grants which support core activities are categorised as incoming resources from generating funds. Revenue grants received for specific creative projects are categorised as incoming resources from charitable activities.

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

Income

Income in furtherance of the charity's activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and are 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 in the balance sheet.

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

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

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

Donated services and facilities

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

Notes *(continued)*

1 Accounting policies *(continued)*

Expenditure

All expenditure is accounted for on an accruals basis.

Costs directly attributable to a specific expense heading are allocated to that heading.

Expenditure is recognised when a liability is incurred.

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

Leases

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The Trust was registered as a charity in March 1982. Under s505 ICTA 1988 the Charity is not subject to taxation on its charitable activities. The majority of the profits of the non-charitable subsidiary are normally gift aided to the parent charity thus reducing the group's exposure to corporation tax.

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

Fund accounting

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

Restricted funds

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

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

Unrestricted funds

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

Designated funds

A designated fund has been established to ring fence surpluses associated with the rental income from E and W Sheds. These funds will be applied to the charitable activities of the Arts Trust in accordance with the agreement with SWRDA.

Subsidiaries

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

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

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

Furniture and fittings	10% - 20% per annum
Plant and equipment	10% - 33% per annum
Acquisition of lease	The company had a 25 year lease from 31 March 1990. Depreciation is provided on a straight line basis from 31 March 1990.

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

Depreciation is provided on a straight line basis over a 79 year period (the unexpired term of the lease).

Leasehold improvements	The Council of Management re-assessed the useful economic lives of leasehold improvements in 1992. All leasehold improvements are depreciated over 25 years on a straight line basis.
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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.

Acquisition of the Headlease to E & W sheds	In March 2007 Watershed purchased the headlease to E & W sheds for its unexpired term of 111 $\frac{3}{4}$ years. The initial price paid was £5.5 million. The final price is capped at £6 million and will be established once the outstanding rent review to one of the units is completed. It is not yet known when the review will be resolved or what the final price will be. Depreciation is provided on a straight line basis over a 111 $\frac{3}{4}$ year period (the unexpired term of the lease).
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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.

2 Legal status of the charity

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each is liable to contribute a maximum of £1. As at 31 March 2011 there were 11 members.

Notes (continued)

3 Grant and project income receivable

	Deferred as at 1 April 2010 £	Cash received & receivable 10/11 £	Credited to income & expenditure 10/11 £	Transferred to capital grants 10/11 £	Deferred as at 31 March 2011 £
Incoming resources from generated funds					
Grants and sponsorship:					
Restricted					
Arts Council England - Thrive	3,000	65,000	58,780	-	9,220
Unrestricted					
Arts Council England - Sustain	125,939	61,000	186,939	-	-
Other grants	-	16,627	16,627	-	-
	<u>125,939</u>	<u>77,627</u>	<u>203,566</u>	<u>-</u>	<u>-</u>
Total grants and sponsorship	<u>128,939</u>	<u>142,627</u>	<u>262,346</u>	<u>-</u>	<u>9,220</u>
Incoming resources from charitable activities					
Unrestricted					
Core grant funding					
Arts Council South West	-	343,857	343,857	-	-
Bristol City Council	-	98,950	98,950	-	-
Total Core grant funding	<u>-</u>	<u>442,807</u>	<u>442,807</u>	<u>-</u>	<u>-</u>
Restricted					
Project funding - grants					
South West Screen	9,275	117,553	126,828	-	-
Bristol City Council	-	99,858	90,412	-	9,446
South West Regional Development Agency	-	68,760	68,760	-	-
University of Gloucester	11,814	31,251	32,395	-	10,670
European Funds	-	90,806	63,238	-	27,568
Other grants	5,401	56,897	62,298	-	-
Project funding - other					
Bristol City Council	-	12,000	12,000	-	-
Other Project Funds – iShed CIC	111,487	369,317	438,519	-	42,285
Other Project Funds	-	78,500	74,500	-	4,000
Total Project Funds	<u>137,977</u>	<u>924,942</u>	<u>968,950</u>	<u>-</u>	<u>93,969</u>
Other incoming resources					
Restricted funds					
Capital grants	-	63,865	63,865	-	-
Total	<u>266,916</u>	<u>1,574,241</u>	<u>1,737,968</u>	<u>-</u>	<u>103,189</u>

Notes *(continued)*

4 Financial activities of the charity

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

The gross incoming resources for the year ended 31 March 2011 for the charity was £2,412,631 (2010: £2,361,675). The overall net incoming resources for the year was a deficit of £80,267 (2010: surplus of £304,062), with a surplus of £16,209 (2010: deficit £5,369) on unrestricted reserves.

Notes *(continued)*

5 Trading subsidiary's results (Watershed Trading Ltd)

	2011 Total £	2010 Total £
Turnover	1,471,431	1,397,188
Cost of sales	(1,052,089)	(990,550)
	<hr/>	<hr/>
Gross profit	419,342	406,638
Administration and other costs	(167,357)	(141,685)
	<hr/>	<hr/>
Trading profit	251,985	264,953
Other income	79	87
	<hr/>	<hr/>
Net income	252,064	265,040
Gift aid payment to Watershed Arts Trust Limited	(72,070)	(85,189)
Management charge from Watershed Arts Trust Limited	(179,994)	(170,438)
Tax on profit on ordinary activities	-	(1,729)
	<hr/>	<hr/>
Retained profit for the year	-	7,684
Retained profit brought forward	24,611	16,927
	<hr/>	<hr/>
Retained profit carried forward	24,611	24,611
	<hr/> <hr/>	<hr/> <hr/>

The principal activity of the company is the operation of conference, restaurant and bar facilities in the Watershed. The income in the statement of financial activities on page 19, is stated after room hire charges made to the other group entities.

The assets and liabilities of the subsidiary were:

	2011 Total £	2010 Total £
Fixed assets	15,866	26,566
Current assets	315,792	243,254
Creditors: amounts falling due within one year	(306,675)	(243,355)
Provisions for liabilities and charges	(272)	(1,754)
	<hr/>	<hr/>
Net assets	24,711	24,711
	<hr/> <hr/>	<hr/> <hr/>
Equity shareholders' funds	24,711	24,711
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

6 Trading subsidiary's results (iShed CIC)

	2011 Total £	2010 Total £
Turnover	469,728	180,898
Cost of sales	(314,835)	(66,281)
	<hr/>	<hr/>
Gross profit	154,893	114,617
Administration and other costs	(143,374)	(89,635)
	<hr/>	<hr/>
Trading profit	11,519	24,982
Other income	52	25
	<hr/>	<hr/>
Net income	11,571	25,007
Gift aid payment to Watershed Arts Trust Limited		
Management charge from Watershed Arts Trust Limited	(8,500)	(23,498)
Tax on profit on ordinary activities	(2,053)	(411)
	<hr/>	<hr/>
Retained profit for the year	1,018	1,098
Retained profit brought forward	1,613	515
	<hr/>	<hr/>
Retained profit carried forward	2,631	1,613
	<hr/> <hr/>	<hr/> <hr/>

The principal activities of iShed CIC are to promote participation by individuals, groups and organisations in the creative industries in the South West. The majority of the income during the year was for projects in line with the charity's activities. The income included within note 3 shows the proportion that was charitable. The remainder is earned income and is included within commercial trading operations. The resources expended for iShed CIC operations is stated in the statement of financial activities after room hire charges payable to Watershed Trading Limited.

The assets and liabilities of the subsidiary were:

	2011 Total £	2010 Total £
Current assets	92,672	167,586
Creditors: amounts falling due within one year	(90,040)	(165,972)
	<hr/>	<hr/>
Net assets	2,632	1,614
	<hr/> <hr/>	<hr/> <hr/>
Equity shareholders' funds	2,632	1,614
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Allocation of support costs

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

	Charitable activities	Allocated to costs of generating voluntary income	Governance	Total
	£	£	£	£
Support cost				
General office	50,018	2,440	7,995	60,453
Finance office	113,337	5,892	28,484	147,713
External audit	-	-	12,267	12,267
Professional services	6,117	-	833	6,950
ICT costs	44,152	-	-	44,152
	<u>213,624</u>	<u>8,332</u>	<u>49,579</u>	<u>271,535</u>

8 Analysis of charitable expenditure

	Cinema Exhibition Programme	Digital Studio	2011 Total	2010 Total
	£	£	£	£
Film hire costs	207,565	-	207,565	186,259
Front of house/projection costs	359,084	-	359,084	352,063
Direct programme/project costs	224,097	357,797	581,894	562,225
Marketing and publicity	191,128	101,864	292,992	301,698
Premises costs	248,158	218,522	466,680	511,136
Support costs	139,354	74,270	213,624	200,868
Depreciation	165,411	34,888	200,299	202,284
	<u>1,534,797</u>	<u>787,341</u>	<u>2,322,138</u>	<u>2,316,533</u>

Notes *(continued)*

9 Staff numbers and costs

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

	Number of employees	
	2011	2010
Cinema and exhibition	29	30
Administration	12	11
Catering	13	12
Bar	16	16
Conference	4	3
	<hr/>	<hr/>
	74	72
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£	£
Directors emoluments	42,021	39,545
Wages and salaries	1,571,047	1,504,802
Social security costs	138,958	133,552
	<hr/>	<hr/>
	1,752,026	1,677,899
	<hr/> <hr/>	<hr/> <hr/>

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

The emoluments of one employee, including benefits in kind, are within the range of £60,000 to £100,000 (2010 – there was only one employee whose emoluments exceeded £60,000).

Notes *(continued)*

10 Net movement on funds is stated after charging

	2011	2010
	£	£
Auditors' remuneration - audit	11,907	10,625
Depreciation and other amounts written off tangible fixed assets	210,999	198,146
Hire of plant and machinery	4,756	5,246
	227,662	214,017

11 Taxation

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited and iShed CIC.

	2011	2010
	£	£
Current tax:		
UK corporation tax on results of the year	3,535	411
Deferred tax (see note 17)		
Origination/reversal of timing differences	(1,482)	1,729
	2,053	2,140

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 (21%), (2010: 21%). The differences are explained below:

	2011	2010
	£	£
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	3,071	10,922
	645	2,294
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	-	(1,831)
Other timing differences	1,482	102
Expenses not deductible for tax purposes	1,408	(154)
	3,535	411

Notes (continued)

12 Tangible Fixed Assets

	Headlease	Leasehold Improvements	Plant, Equipment Furniture, Fittings	Total
Group	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,015,162	612,414	9,841,975
Additions	-	-	93,763	93,763
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,015,162	706,177	9,935,738
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	207,835	851,243	543,821	1,602,899
Charge for year	55,745	99,638	55,616	210,999
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	263,580	950,881	599,437	1,813,898
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>	5,950,819	2,064,281	106,740	8,121,840
At 31 March 2011	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2010	6,006,564	2,163,919	68,593	8,239,076
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Tangible fixed assets (continued)

	Headlease	Leasehold improvements	Furniture and equipment	Total
Charity	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,015,162	531,058	9,760,619
Additions	-	-	93,763	93,763
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,015,162	624,821	9,854,382
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	207,835	851,243	489,031	1,548,109
Charge for year	55,745	99,638	44,916	200,299
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	263,580	950,881	533,947	1,748,408
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2011	5,950,819	2,064,281	90,874	8,105,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2010	6,006,564	2,163,919	42,027	8,212,510
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Trustees review of the fixed assets has concluded that their value is not impaired.

13 Fixed asset investment

Shares	Charity 2011 £
At beginning and end of year	101

The company owns 100% of the issued share capital of Watershed Trading Limited, a company incorporated in England and Wales. The principal activities of this company are the operation of the bar, restaurant and conference facilities at Watershed.

The company owns 100% of the issued share capital of Ished CIC, a company incorporated in England and Wales. The principal activities of this company are to promote participation by individuals, groups and organisations in the creative industries in the South West of England and elsewhere.

14 Stocks

	Group		Charity	
	2011	2010	2011	2010
				£
Finished goods and goods for resale	18,305	20,264	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Debtors

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	100,279	122,650	10,692	39,109
Prepayments and accrued income	175,965	156,598	171,576	154,092
Other debtors including taxation and social security	61,810	20,107	38,008	19,434
Amounts owed by group undertakings	-	-	140,970	88,201
	<u>338,054</u>	<u>299,355</u>	<u>361,246</u>	<u>300,836</u>

All debtors are recoverable within one year.

16 Creditors: amounts falling due within one year

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	369,907	278,935	283,582	202,878
Other creditors including taxation and social security	138,040	163,409	46,901	72,959
Accruals and deferred income	206,013	368,995	127,732	214,450
Amounts owed to group undertakings	-	-	8,973	15,180
	<u>713,960</u>	<u>811,339</u>	<u>467,188</u>	<u>505,467</u>

Other creditors includes £33,701 (2010: £56,419) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £74,096, and deferred income comprising £3,137 of advance sales, £20,910 of conference deposits, £4,681 of rental income received in advance and £103,189 of grant and project income (note 3).

Notes (continued)

17 Provisions and liabilities

Group	Deferred Tax £
At beginning of year	1,754
Release in the year (note 11)	(1,482)
	272
At end of year	272

The elements of deferred taxation are as follows:

	2011 £	2010 £
Difference between accumulated depreciation and capital allowances	272	1,754
	272	1,754

The charity has no deferred taxation liabilities.

18 Unrestricted funds

	Group £	Charity £
At beginning of year	276,496	250,272
Movement in year before transfers	(143,114)	(144,132)
Transfer from restricted funds (note 20)	160,341	160,341
	293,723	266,481
At end of year	293,723	266,481

Notes (continued)

18 Unrestricted funds (continued)

	At beginning of year	Incoming Resources	Expenditure	Transfers	Balance at 31 March 2011
	£	£	£	£	£
Unrestricted Income Funds					
General fund	164,852	2,998,922	(3,142,036)	160,341	182,079
<i>Designated Funds</i>					
Bristol+ contingency fund	111,644	-	-	-	111,644
	<u>276,496</u>	<u>2,998,922</u>	<u>(3,142,036)</u>	<u>160,341</u>	<u>293,723</u>

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

19 Restricted funds: Group and Charity

	At beginning of year	Incoming Resources	Transfer to unrestricted income funds	Outgoing Resources	At end of year
	£	£	£	£	£
Capital grants					
Leasehold premium reserve	49,422	-	(9,885)	-	39,537
Deferred capital grant	37,780	-	(1,600)	-	36,180
Deferred capital refurbishment grants	1,246,283	-	(67,426)	-	1,178,857
Lottery lease purchase grant	618,551	-	(8,712)	-	609,839
SWRDA lease purchase grant	6,006,564	-	(55,745)	-	5,950,819
ACE GforA capital grant	64,088	-	(2,800)	-	61,288
BFI equipment grant	5,601	63,865	(14,173)	-	55,293
	<u>8,028,289</u>	<u>63,865</u>	<u>(160,341)</u>	<u>-</u>	<u>7,931,813</u>
Voluntary income					
Grants and Sponsorship	-	497,299	-	(497,299)	-
Donated services	-	-	-	-	-
Incoming resources from charitable activities					
Project funding – grants	-	443,931	-	(443,931)	-
Project funding – other	-	86,500	-	(86,500)	-
	<u>-</u>	<u>1,027,730</u>	<u>-</u>	<u>(1,027,730)</u>	<u>-</u>
	<u>8,028,289</u>	<u>1,091,595</u>	<u>(160,341)</u>	<u>(1,027,730)</u>	<u>7,931,813</u>

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

Notes (continued)

19 Restricted funds: Group and Charity (continued)

Leasehold premium reserve

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

Deferred capital grant

Grant support from the BFI, and Bristol City Council to fund refurbishments undertaken prior to 2002/03 has been transferred to deferred capital grants and is being taken to income over the same period of time as the depreciation of the assets funded by the grants (8 to 25 years).

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

SWRDA Headlease purchase grant

Capital grant support from South West Regional Development Agency (£5,500,000) to enable Watershed to purchase the head lease to E & W sheds has been transferred to restricted capital funds and is being taken to income over a period of 111.75 years to match the unexpired period of the lease

The total amount of the award is £6,400,000.

Other capital grants

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

Voluntary income and project funding from charitable activities

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

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

20 Analysis of fund balances - group

	Unrestricted funds £	Restricted funds £	2011 Total	2010 Total £
Fixed assets	190,027	7,931,813	8,121,840	8,239,076
Net current assets	183,968	-	183,968	67,463
Long term liabilities	(80,000)	-	(80,000)	-
Provisions for liabilities and charges	(272)	-	(272)	(1,754)
	<u>293,723</u>	<u>7,931,813</u>	<u>8,225,536</u>	<u>8,304,785</u>

Notes (continued)

21 Operating leases

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

	2011	2010
	Group and Charity plant and equipment £	Group and Charity plant and equipment £
Expiring within:		
< 1 year	5,756	-
Two to five years	4,824	10,500
	<hr/>	<hr/>
	10,580	10,500
	<hr/> <hr/>	<hr/> <hr/>

22 Related Party Transactions

During the year legal fees of £8,101 (2010: £5,945) were paid to TLT solicitors in respect of legal services provided to Watershed Arts Trust Limited. James Touzel is a trustee of Watershed Arts Trust Limited, a Director of Ished CIC and a partner of TLT solicitors.

During the year payments totalling £1,954 (2010: £7,518) were made to the Better Food Company in respect of food purchases for Watershed Trading Company's café/bar operation. Phil Haughton is a director of Watershed Trading Ltd and the Better Food Company.