

Watershed Arts Trust Limited (a company limited by guarantee)  
Report of the Council of Management and consolidated financial statements  
Registered charity number 284188

**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 2012

## Contents

Report of the Council of Management	2
Independent auditor's report to the members of Watershed Arts Trust Limited (a company limited by guarantee)	20
Consolidated statement of financial activities (including an income & expenditure account)	21
Consolidated cash flow statement	22
Consolidated and company balance sheets	23
Notes	24

## Report of the Council of Management

The Council presents its annual report and the audited consolidated financial statements for the year ended 31 March 2012. 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 thirty years it has carried out these aims responding to changing cultures, audience expectations and operating environments. In the year, Watershed’s principal activities have continued to be the operation of cinemas, events (with particular emphasis on the digital media), cross-artform production and online publishing. Watershed acts as a cultural hub and broker using its skills and expertise in media and technology to play an enabling role across sectors of the wider creative economy, developing talent and promoting cultural exchange.

### Watershed’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. Watershed is rooted in Bristol but places no boundaries on its imagination or desire to connect with audiences in the wider world. Watershed provides access, choice and cultural diversity extending beyond commercial market offerings.

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 2011/12

- Complete the creation of a Watershed Web Portal to unify the complete Watershed offer online 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 Watershed 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.

### Achievements and Performance

Watershed's rich cultural programme engages audiences/participants from a broad spectrum of cultures, social groups and ages to deliver maximum public benefit. We continue to develop our programme to extend our reach to as wide a group as possible.

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

### Talent Development

Watershed takes an open and innovative approach to the development of talent, producing environments where artists and creative organisations can work collaboratively with digital technologists and universities to explore new genres and experiences. Key to this is the **Pervasive Media Studio**, managed by iShed, which has gone from strength to strength since it opened in January 2008.

In October 2011, the Studio relocated to a unit within Watershed's own premises. This move not only provides increased studio space but also integrates Watershed and iShed activities to give a more "joined up" feel to Watershed as an organisation.

The move was facilitated by a new 5 year collaboration with the University of the West of England (UWE) and Bristol University (UoB) to undertake collaborative research, innovation, incubation, production and teaching in creative technologies. The partnership will also deliver a significant financial contribution to the overheads of the PM Studio as the focus for a programme of residencies, commissions and creative collaborations. We are already seeing the benefit of this new arrangement as it attracts increasing numbers of artists and potential collaborators to the studio.

In 2011/12 the studio welcomed 31 new residents and currently offers support to 99 residents and hot-deskers. The Studio space allows residents to explore media based projects such as gaming, projections, local based media and digital displays in a creative environment with access to new technologies and technical expertise.

The Studio has established itself as an internationally leading cross-artform innovation centre bringing together artists, academics and technologists to experiment and explore new forms of media experience.

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

Highlights of studio activity included:

- **Lunchtime Talks** – the studio hosted 44 lunch time talks, open to all, to increase accessibility of the studio's activity to the general public. Talks attracted a total audience of 1,232 in the year.
- **REACT Hub** (Research and Enterprise in Arts and Creative Technologies Hub) – A key achievement in this area is our success in becoming part of one of four Creative Economy Knowledge Exchange Hubs funded by the Arts and Humanities Research Council. The project is a collaboration with UWE, and the Universities of Bristol, Exeter, Bath and Cardiff to pioneer a new model of creative interaction based on our successful sandbox model.

The project commenced in February 2012 and is a major 4 year initiative cementing our strategic creative economy relationships with UWE and UoB as well as creating a new and exciting activity strand. See [www.watershed.co.uk/ished/projects/react-hub/](http://www.watershed.co.uk/ished/projects/react-hub/).

- **Playable City** – In February 2012, Watershed, in collaboration with the British Council in Japan, brought together twelve artists and designers from across East Asia and the UK, for five days of workshops at the Studio to explore and prototype interventions around the theme of the Playable City. Following the success of this project we have been asked by the British Council Brazil and the Southbank to undertake the research and development phase of a programme, culminating in a festival showcase in Recife in Brazil in June 2013.

This will be the first stage of the British Council's four year programme connecting Brazil to the UK through the Arts and we anticipate playing a key role in the delivery of the programme. See [www.watershed.co.uk/dshed/playable-city-sprint](http://www.watershed.co.uk/dshed/playable-city-sprint).

- **Internet of Things Ideas Lab** – An event, in partnership with the Crafts Council, bringing together 80 makers engineers, technologists and experts exploring ideas around the production of buildings, vehicles, objects and clothing with built in sensors and computer networks which allow 'physical things' to communicate with users and with each other. See [www.watershed.co.uk/ished/news/the-crafts-council-and-the-internet-of-things-lab/](http://www.watershed.co.uk/ished/news/the-crafts-council-and-the-internet-of-things-lab/).
- **Artists Residencies** – A residency programme enabling artists to research, produce and present projects at the intersection of art, technology and culture. The programme offered a unique opportunity to develop experimental works within the collaborative environment of the Pervasive Media Studio.
  - **Embedded Artist Residency** - a residency programme supporting the development of a new sound and technology project by artist Jen Southern, delivered in collaboration with Sound and Music.
  - **South West Artists Residencies** - a residency programme supported by Arts Council England enabling artists to research, produce and present projects at the intersection of art, technology and culture. Artists supported included Laura Kriefman, Tim Bamber, Robin Ray and Sharon Clark.
  - **Micro-Residency** - a short-term residency programme enabling artists Lucy and Barney Heywood to rapidly develop ideas within the collaborative environment of the Pervasive Media Studio.
  - **Shared Artists in Residence** - a shared residency programme, delivered in collaboration with Netherlands Media Arts Institute (Amsterdam, NL), 5daysoff festival (Amsterdam, NL) and Kitchen Budapest (HU). The programme supported artists Duncan Speakman and Emilie Grenier to spend supported time at each partner venue, to produce different aspects of their project.
- **Sky Orchestra** - A project supported by the PM Studio and created and produced in Bristol by Luke Jerram. Sky Orchestra involved the flying of air balloons projecting music over London to mark a year to go before the 2012 Olympic Games.

### Audience Engagement

In the year, we completed work on creating a unified web presence for Watershed and delivered both our new web publishing architecture and our new website. Our new site unifies the complete Watershed offer online and integrates it with the physical venue offering 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 was launched on 1 September 2011 and the response has been overwhelmingly positive. The number of visits to Watershed sites with creative content totalled 2,998,600 in the financial year 2011/12 and total page views came to 21,234,925 (a 5% increase on the previous year).

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

This integration of the programme across the venue and on-line was exemplified through:

- **Depict!** – Watershed’s 90 second filmmaking competition and part of the Encounters International Short Film Festival. 500 films were submitted from 30 different countries. The site received 259,124 visits in the year and the films can be viewed at [www.depict.org](http://www.depict.org).
- **Electric December** - Watershed’s highly successful annual online “advent calendar”, a collaborative production and intercultural online showcase curated by young people from Bristol. The website [www.electricdecember.org](http://www.electricdecember.org) attracted 21,256 page views. In addition, the Electric December 2011 DVD has been sent to 140 cinemas, festivals and youth organisations across Europe and screened nationwide via BBC Big Screens.
- **On Dangerous Ground** – as part of Watershed’s celebration of the centenary of composer Bernard Herrmann’s birth, a micro site was set up to host a number of recorded discussions and online editorial covering Herrmann’s lasting impact on cinema and film music. See [www.watershed.co.uk/dshed/dangerous-ground-cinema-bernard-herrmann](http://www.watershed.co.uk/dshed/dangerous-ground-cinema-bernard-herrmann).
- **McLuhan’s Message** - to mark the centenary of the birth of provocative media pioneer and theorist Marshall McLuhan, Watershed created a micro site to showcase recorded talks, debates and other content that explore McLuhan’s influence on media theory. See [www.watershed.co.uk/dshed/mcluhans-message](http://www.watershed.co.uk/dshed/mcluhans-message).
- **Filmic 2011** - The festival went online on DShed to present a wide range of interviews and articles exploring this fertile intersection between musicians and filmmakers. These include interviews with composer Laurie Johnson (*The Avengers*, *Dr Strangelove*) on the music of Bernard Herrmann, Portishead’s Adrian Utley talking about Herrmann’s score for *Taxi Driver*, and a host of other content.

The DShed site also provides 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:

- **Directors UK Present: Bruce Robinson** – recorded as part of the Encounters Film Festival 2011. A talk with Bruce Robinson, the director of the legendary British cult comedy “Withnail & I” and the 2011 film adaptation of Hunter S. Thompson’s “The Rum Diary”.
- **Patrick Keiller Focus** – A discussion with Nick Bradshaw recorded and published as part of a focus on the director.
- **The Story of Lover’s Rock** - Director Menelik Shabazz talked to Dr Edson Burton about The Story of Lover’s Rock, his feature-length documentary about the British reggae sub-genre, Lover’s Rock.
- **United Visual Artists talk** - A talk by UVA’s acclaimed international artists Ben Kreukniet and Laura Dennis discussing their previous and forthcoming work. Previous work includes incredible live visuals for Massive Attack, Jay Z, U2, Chemical Brothers and Battles among others.
- **Embedded Artists’ Residencies talk** – Jen Southern talked about developing her new work, commissioned through the scheme. The work, *Polyrhythmia*, uses technology, sound, and movement to link people over long distances.

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

Connecting with our audience is at the heart of Watershed’s programming and we view diversity of experience and culture as an asset. In the year, Watershed’s public engagement programme of moving image media continued to provide the public with a quality programme of cultural cinema, cross art-form exhibitions and special events celebrating and exploring all aspects of the moving image.

In 2012, a total of 3,019 screenings of 272 films/film programmes were presented to a total audience of 130,322 (123,101 in 2010/11). In total, 32 producing countries were represented by the film programme.

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

Highlights of Watershed's audience engagement programme included:

- **Cyclescreen** – Bristol's second dedicated bike festival supported by RELAYS at Watershed and Greater Bristol's Better by Bike Project. An audience of 788 attended the season of films, documentaries, lectures and interactive events covering topics as diverse as the Bristol fixed gear scene to VIP guest Jorgen Leth's *A Sunday in Hell*, a documentary about the 1976 Paris-Roubaix race. The hugely popular Rollapaluzza race took place in the café/bar.
- **Festival of Ideas** – Watershed hosted the festival in its 7<sup>th</sup> year with an inspiring programme of discussions and screenings, looking at some of the key issues of our time. The programme included a screening of *How Much Does Your Building Weigh*, *Mr Foster*, and *Civic Life* from British directors Christine Molloy and Joe Lawlor. Other highlights included a talk on Stefan Zweig by acclaimed translator Anthea Bell followed by a screening of *Letter From An Unknown Woman*, a discussion on the life and work of Kenneth Williams and a special talk from cult filmmaker John Waters.
- **Slapstick Silent Film Festival** - Watershed played host to the 8<sup>th</sup> annual festival celebrating silent comedy. Watershed hosted five high-profile events with guests including Kevin Brownlow, Graeme Garden and Bill Oddie. The festival also featured a rare interview with French comedy legend Pierre Étaix, who also introduced a screening of his 1969 film *Le Grand Amour*.
- **Film4 Frightfest Allnighter** - Watershed welcomed Film4's FrightFest, the UK's best horror and fantasy film festival featuring five UK - premiered films.
- **Brunch Screenings** – These screenings offer the public a chance to see short seasons of world cinema screened over a Sunday lunch time. Ten seasons were screened in the year:
  - **Revolutions in Cinematography Season** - included *Che 1&2*, *District 9* and *The Social Network*;
  - **Cinema & The City Season** - included *Code 46*, *Wings of Desire*, *Night And The City*, *Do The Right Thing* and *Slumdog Millionaire*;
  - **Ingmar Bergman Season** - early films, some never seen in the UK, as new digital prints. The programme included *A Ship Bound For India*, *So Close To Life*, *Sawdust and Tinsel*, *Dreams* and *It Rains On Our Love*;
  - **Great Scott!** - Kristin Scott Thomas Sunday Brunches included *Leaving*, *The English Patient*, *Tell No One* and *I've Loved You So Long*;
  - **The Ones That Got Away** - re-releases of some enduring classics including *Last Year In Marienbad*, *Eyes Without A Face*, *Cutter's Way* and *Gilda*;
  - **Europe Loves Cinema** - included *Downfall*, *Persepolis*, *This is England* and *A Prophet* to celebrate 20 years of the EU's MEDIA Programme;
  - **The Sacred And The Humane** - included *Last Temptation of Christ*, *Of Gods and Men* and *Into Great Silence*;
  - **Werner Herzog** – included *Nosferatu*, *The Bad Lieutenant*, *Aguirre*, *Wrath of God* and *Fitzcarraldo*;
  - **Morricone's Spaghetti Westerns** (presented as part of Filmic and curated by Sir Christopher Frayling) - included *The Good, The Bad and The Ugly*, *Death Rides a Horse*, *Once Upon a Time in the West* and *The Big Gundown*;
  - **Michel Legrand** - included *Les Demoiselles De Rochefort*, *Cleo From 5 to 7*, *The Thomas Crown Affair* and *Ice Station Zebra* as part of Filmic.
- **Encounters International Short Film Festival** – Watershed hosted the UK's leading short film festival in its 17<sup>th</sup> year, attracting a total audience of 3,561 with delegates visiting from around the world.
- **London Lesbian and Gay Film Festival** - Watershed partnered with Pride Bristol to present highlights from BFI's 25<sup>th</sup> London Lesbian and Gay Film Festival showcasing the best in lesbian and gay cinema from around the world.
- **Screenings with question and answer (Q&A) sessions** – premiere screenings followed by Q&A sessions allowing the audience an opportunity to discuss the film with the film's director/producer.

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

These included:

- **BAFTA Preview: Shame** - with producer Iain Canning;
- **Senna** - with director Asif Kapadia and writer Manish Pandey;
- **Treacle Jr** - programmed & filmed as part of the New British Cinema Quarterly strand, with director Jamie Thraves;
- **Robert Mugabe...what happened?** - Director and Afrika Eye co-director Simon Bright was joined by Eddy Mushayanama (Movement for Democratic Change) and Forward Maisokwadzo (Bristol Zimbabwe Association) in this special Q&A session;
- **Anyone Can Play Guitar** - with Director and musician Mark Gardener. Presented in partnership with Bristol Music Foundation.

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

- **Filmic** – a new annual festival that explores the creative connections between music and film developed by Watershed in partnership with music venue St George's. The programme ranged from Spaghetti Western classics curated by Sir Christopher Frayling and a screening of PJ Harvey's *Let England Shake*, to Paris/Bristol collective The Greatness of the Magnificence's *'Looking for Ennio'* performance.  
Triple Oscar winner and composer Michel Legrand appeared at both Watershed and St George's. DJs Scott Hendy, Cheeba and street artist Inkie (See No Evil curator) combined forces to create a unique Bristol take on the classic song *Windmills of Your Mind* at the inaugural BEAM Live event in the café/bar. The Festival attracted Radio 4 coverage, and coverage in publications such as Little White Lies, The Arbutarian, British Jazz Blog and Think-Work-Play. The festival attracted an audience of 1,502.
- **Film and music live events** - Watershed presented a series of live events exploring the creative connections between music and film:
  - **Herrmann: Knowing the Score with Neil Brand** - writer and composer Neil Brand considers the nuts and bolts of Herrmann's craft.
  - **Shadows of Forgotten Ancestors** - presented in collaboration with Qu Junktions. New Mexico's folk duo A Hawk and A Hacksaw (accordionist/drummer Jeremy Barnes and violinist Heather Trost) presented a brand new live rescore of Soviet director Sergei Paradjanov's classic film *Shadows of Forgotten Ancestors*.
  - **Les Bubb's Slapstick Silent Funnies** - a pre-Slapstick programme of Chaplin, Buster Keaton, Laurel & Hardy and Snub Pollard, with a little help from world-renowned visual comedy performer and choreographer Les Bubb, with live piano accompaniment by Stephen Horne.
  - **The First Born** - the sex lives of the upper classes come under scrutiny in this sophisticated melodrama, a tour de force of silent cinema starring Miles Mander and Madeleine Carroll with live piano accompaniment by Stephen Horne.
  - **Turksib** - Bronnt Industries Kapital performed their specially composed score for Victor Turin's 1929 epic documentary *Turksib*, a masterpiece of Soviet cinema.
  - **BEAM Live Part 1 -Windmills Of Your Mind** - part of Filmic, an evening of live music and projected art.

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

- **Cinéphiles** – a monthly film discussion group.
- **Screenwriters' Group** - a monthly meeting of local screenwriters. See [www.bristolscreenwriters.org](http://www.bristolscreenwriters.org).

Watershed aims to reach as wide an audience as possible and during the year we continued to develop the cultural offer targeted at audiences from BME groups, engaging with the sector and encouraging diversity in our audiences. To achieve this we curated an ongoing programme of partnership events, projects and seasons showcasing BME work and creative talent. We have a successful track record of partnership strands with St Pauls Carnival and support initiatives such as Black History Month and Refugee Week. New strands this year included a series highlighting inequality in society presented with the Black South West Network, an outreach programme with Community Resolve and the Bristol Palestine Festival presented in partnership with Showroom Cinema in Sheffield. In all 34 BME partnership events were programmed including:



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

- **Afrika Eye Festival** – presenting a vibrant line-up of African cinema, music and discussion with a particular focus on World Cup host South Africa. The festival attracted an audience of 765 (a 36% increase on attendance in the previous year) and was the most successful festival since it began seven years ago. This year's festival proved an effective launch pad for Festival Director Simon Bright's documentary feature *Robert Mugabe, What Happened?*, which went onto screen at major UK film venues and several international venues. Positive media coverage included *Radio 4's* Saturday Live programme and *The Guardian*.
- **St Paul's Carnival Fringe partnership programme** - Bristol's annual celebration of Afro-Caribbean arts and culture presenting a season of films, talks, music and dance celebrating Black creative talent and communities, with a special Carnival warm-up night featuring *Fire in Babylon* with a Bristol-made short film, food and music.
- **Celebrating Black History Month** - covering topics ranging from the American civil rights era (*Sing Your Song* and *Soundtrack for a Revolution* previews), to modern Zimbabwe (*Ungochani*) and 80s Brixton riots, with a special Cinékids screening of *The Tree of Spirits* for younger audiences.
- **The Story of Lover's Rock** - *The Story of Lover's Rock* returned to Watershed for a week long run. Audience members co-produced a *Lover's Rock Party* to celebrate with special guests Janet Kay and Victor Romero Evans, stars of the film.
- **Return To Mexico City + Q&A with Tommie Smith** - Watershed welcomed the Olympic gold medallist Tommie Smith to present a special documentary about the 1968 Mexico Olympics. Smith also answered audience questions after the screening in a session fronted by Kunle Olulode.
- **Festival of Ideas: Sapphire Talk** - Author Sapphire talked about *The Kid*, the sequel to her novel *Push*, which formed the basis for the critically-acclaimed film adaptation, *Precious*, a screening of which followed the talk.
- **The Cutting Tradition plus panel discussion** - a panel of dedicated women's rights activists discussed *'The Cutting Tradition'*, a documentary on the ongoing practice of female genital mutilation.
- **The Interrupters** - Watershed worked with Community Resolve (an organisation working with gangs in Bristol) to organise screenings at Watershed and in the communities of Easton and St Pauls capturing the stories of a group of three 'violence interrupters', who protect their communities from the violence they once employed in Chicago.
- **Bristol Palestinian Film Festival** - Watershed hosted events for the Bristol Palestinian Film Festival, a season of films, animations, poetry and art presented in partnership with Cinema Palestino at the Showroom Workstation, Sheffield.

Watershed offers an engagement programme for young people to encourage and develop the future audiences, artists and producers of tomorrow. The programme aims to engage young people in world cinema and media, develop and showcase young talent and increase media literacy in the school curriculum and beyond. Watershed's primary focus is on young people in Bristol in schools/colleges and out of school with a particular focus on under-represented groups.

Working with industry partners, the education sector and community organisations, Watershed created opportunities for young people to develop and realise their creative, economic and social potential. Content produced by young people is published in the Young Watershed section of DShed.net as well as project specific micro sites and social networks.

Examples of our work with young people include:

- **Fairfield High School Partnership** - Watershed and Fairfield High School continue to work together to explore how the film, media and creative industries can support schools to develop media literacy in the curriculum, and to work towards building relevant skills that will equip our young people for the future.
- **Electric December Inspiration Day** - this year's online calendar was co-curated by students from Fairfield High and Redland Green. Eight schools took part in the Electric December Inspiration Day.
- **Fresh Flix - Inspiring Young Creative Talent** - presented by Encounters International Festival and Watershed to inspire and support the creativity of young people and provide a platform for young creative talent. This year's Fresh Flix featured a programme of 21 events featuring film, music and poetry for young people, children and their families. Highlights included a masterclass with screenwriter Tony Marchant, a live scoring workshop with Tony Orrell and a stop-frame animation workshop curated by Knowle West Media Centre.

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

- **Media Literacy Workshops: Why Study The Olympics?** - Watershed's annual series of day-long workshops were attended by year 9/10 students from 5 different schools. BBC volunteers helped out on the event which involved devising and performing a short drama using a commentary style framework. Completed pieces were filmed by the BBC, who created a DVD of the work to be used for classroom discussion and assessment.
- **RELAYS** (Regional Education Legacy in Arts and Youth Sport) - a regional Cultural Olympiad initiative supported by 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 [www.watershed.co.uk/relays/](http://www.watershed.co.uk/relays/).  
RELAYS activities in the year included:
  - **Citizen Journalism** - Following the success of last year's pilot project, Watershed continued to work with David Goldblatt to teach students from Fairfield High School and City of Bristol College how to become citizen journalists using smartphones to report on sporting and cultural events. In the year students reported on events including the 2011 Olympic Open Weekend in Weymouth, a profile of Bristol's cultural quarter - Stokes Croft, the Oktoberfest mountain bike festival in Bristol, and an event at Bath University exploring disability sport and the build up to Paralympics 2012. The project will culminate in students taking part in media camps in Weymouth where the London 2012 Olympic and Paralympic sailing will be taking place from July to September 2012.
  - **Cinékids** - targeted at Watershed's youngest audiences, Cinékids 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. 12 events took place in the year.
  - **First Light Award Winning Films** - This year saw the South West region triumph at the First Light Film awards in London, with a total of 6 locally produced films made by young people winning prizes. Watershed hosted a special showcase of all the South West winners, with each short being introduced by a representative from the film.
  - **Zed Productions and Integrate Bristol showcases** - Watershed presented three films made by young people in partnership with Zed Productions and Integrate Bristol:
    - **Silent Scream** - highlighting the myths and misconceptions that appear to justify the practice of female genital mutilation.
    - **Shakespeare's Mobile** - a story of bullying, time travel and a very unusual encounter with the bard himself.
    - **Islam Ain't That Scary** - an insightful documentary about misconceptions surrounding Islam.
  - **Appreciation and criticism** - Throughout the year Watershed provided a programme of school screenings and events to foster dialogue, develop critical appreciation and support curriculum studies:
    - **School screenings** - special screenings, outside of normal programming hours, to accommodate schools' requests for films.
    - **National Schools Film Week** - in collaboration with Film Education, Watershed selected screenings for primary and secondary school students.
    - **Cineschool** – a new strand of activity in collaboration with Film Education.
    - **Film Club Aardman Webcast** - Watershed teamed up with Filmclub to present a webcast with Alan Short and Seamus Malone, the makers of the new Aardman Animations film, *The Pirates!* The event was attended by 75 students from 8 Bristol schools with a further 25 schools watching the event online.
  - **Digital Story Telling** – As part of the Temple Quarter Enterprise Zone (TQEZ) project to attract creative industries into the Bristol Temple Quarter and create a hub of creative activity, Watershed partnered with Travelling Light Theatre company bringing together young people to create digital stories around the Barton Hill area of Bristol.

Accessibility is of paramount importance to Watershed and we aim to achieve maximum public benefit by ensuring that our building, programme and organisational practice are accessible on every level.

In the year we reviewed our signage to provide clearer public orientation and we continued to develop our programme for deaf and blind users by providing audio description and descriptive subtitling on a selection of titles including *Tree of Life*, *The Guard*, *Tinker Tailor Soldier Spy*, *Tyrannosaur*, *Shame*, *Carnage*, *A Dangerous Method* and *Rampart*.

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

Watershed continued its “Cinébabies” weekly daytime screenings for parents/carers with babies, providing a safe buggy park, changing facilities and a bottle warming service to enable people caring for young babies to view the latest releases in an environment where babies are welcome in the cinema.

Much of Watershed’s work is delivered in partnership with other organisations and individuals. Building partnerships and taking a collaborative approach is key to our success and we have worked to develop partnerships with a wide range of creative and socially engaged organisations and individuals.

Some of the organisations we have worked with to deliver our cultural programme in the year include:

Afrika Eye	Firstborn Creatives
Arts Council England	Ideal Community Action Group
Asian Arts Agency	Integrate Bristol
Barton Hill Settlement	Kitchen Budapest
Battersea Arts Centre	Knowle West Media Centre
Better By Bike	LIFT Festival
Black South West Network	Netherlands Art Media Institute
Bristol ACTSA	Northern Stage
Bristol City Council	Palestine Culture Exchange
British Council	Picture This
Bristol Hospital Education Service	Pilot Theatre
Bristol Feminist Network	St George’s, Bristol
Bristol Foyer	Salaam Shalom
Bristol NHS	Sharp Shotz
Bristol Old Vic	Showroom Cinema
Bristol Safeguarding Children	St Pauls Carnival
Bristol Music Foundation / Teenage Rampage	St Werburghs Centre
Bristol Pride (& other LGBT groups)	The Station
Calling the Shots	Trinity Community Centre
Cardiff University	Ujima Radio
City of Bordeaux	University of Bath
Community Resolve	University of Bristol
Creative England	University of Exeter
Crafts Council	University of the West of England
Colston Hall	Young Bristol
Encounters International Film Festival	2morrow 2day
Fairfield High School (& Media Teachers’ Network)	5daysoff

To grow and engage our audiences Watershed continues to invest in developing strong relationships with its user base through initiatives such as:

- **Social Networking** - Watershed now has 2,167 Facebook friends (a 54% increase on 10/11) and 10,500 Twitter followers (an increase of almost 100% on 10/11). This opens up a 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 15,000 active subscribers to our weekly e-letter and can adapt and personalise content in response to improved analysis. This is an increase of 50% on 2010/11.
- **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. We now have over 6,000 Loyalty Card holders.

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

### Monitoring and Evaluation

To ensure that Watershed's standards remain exemplary and we deliver maximum public benefit across all areas of our activity, we regularly assess our own performance and take on board the feedback of our customers.

Providing an excellent customer experience across all our activities is a key part of the Watershed ethos. We aim to ensure that all our users, from artists and online users to cinema goers and visitors to our café/bar, have a positive and valued experience. Customers are encouraged to communicate with us through social networking sites such as Facebook and Twitter, via e-mail and through customer feedback forms distributed throughout the building. Comments are reviewed by our Communications team and acted upon as appropriate.

One-off projects are carefully planned with a time frame and objectives established at the beginning of the project. Progress against project milestones is reviewed throughout the duration of the project. On completion, the project is evaluated against the overall objectives established at the outset. Larger projects are evaluated externally to ensure an unbiased view. Reports produced in the year include:

- Embedded Artists Residency - Artists Research Report by Jen Southern.
- Jerwood Fellowship - Organisational Evaluation Report by Victoria Tillotson and a Participant Report by Grace Denton.
- Media Sandbox 2010 - Curating Innovation by Annie Warburton.
- South West Artists Residency and Micro Residency - final report and artists' research reports from the artists involved (Stand and Stare Collective, Guerilla Dance Project and Sharon Clark/Tom Burton).
- Fresh Flicks: Inspiring Creative Talent – an internal evaluation of the Fresh Flicks Festival.

To keep us informed of our market position, who our customers/users are and the public perception of our performance, Watershed undertakes extensive market research every five years covering visitor experience, audience engagement, talent development and online activities. External consultants are commissioned to undertake this work and the results are presented to Watershed's Council of Management for discussion. Appropriate action is taken to address any issues which may be highlighted in the findings of the research.

We will undertake market research in the coming year and this will inform our strategic planning and long term vision of the organisation.

### Profile and Representation

Watershed's reach extends far beyond the building in which it is based and our profile is rapidly growing both nationally and internationally. Our success in securing 3 year National Portfolio Funding from Arts Council England has further strengthened our position.

Particular relations we have developed in the year include the British Council in Brazil, the city of Bordeaux and Guimarães 2012, Portugal.

Representatives from Watershed also attended and took part in a number of important national and international festivals, events, conferences and committees and presented a number of external talks in the year including:

- Venice Film Festival (Venice, Italy) – Mark Cosgrove was invited to sit on the Europa Label jury.
- Cannes Film Festival (Cannes, France) – attended by Mark Cosgrove.
- Cinema Ritrovato Festival (Bologna, Italy) – Watershed was presented as a case study as part of the programme which focussed on “competing for attention and success – educating through creativity”. Maddy Probst acted as co-producer and facilitator for Europa Cinemas Young Audience sessions.
- Professional Programming Course (Venice, Italy) – Maddy Probst presented Watershed's work around audience development at this course run by CICAIE (a European network promoting cultural diversity in cinemas and festivals).
- Digital Cinema Media (screen advertisers) Conference (Birmingham, UK) – attended by Mark Cosgrove.
- Cultural Cinema conference (University of East Anglia, Norwich, UK) – Panel speaker (Mark Cosgrove).
- Cinema conference (Sorbonne University, Paris, France) – Panel speaker (Mark Cosgrove).
- Film Policy review launch (London, UK) – attended by Mark Cosgrove.
- Berlin Film Festival (Germany) – attended by Mark Cosgrove and Maddy Probst.

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

- British Film Institute Future Film Festival (London, UK) – Hannah Higginson participated in panel discussions on “on-line versus festivals” and sat on the judging panel of both the drama and documentary awards.
- Film Exhibition in Europe: Stakes, Challenges and Perspectives International conference (Paris, France) – Mark Cosgrove and Maddy Probst gave two presentations on Watershed.
- British Council Digital Conference (Tokyo, Japan) – attended by Clare Reddington.
- National Film and TV directors’ graduation screening (London, UK) – attended by Mark Cosgrove.
- Flatpack Festival (Birmingham, UK) - speaker at film curators training (Mark Cosgrove).
- BFI forward plan consultation group meeting (London, UK) – attended by Mark Cosgrove.
- The Passion of Joan of Arc: touring – Mark Cosgrove represented Watershed at live performances of the piece commissioned by Watershed in:
  - Krakow, Poland – as part of the Holy Week celebrations.
  - Southbank Centre, London – as part of the Ether Festival.
  - Alexandra Palace, London – as part of Portishead’s curated “I’ll Be Your Mirror”. The event also included an on-stage interview with Mark Cosgrove.
  - Lincoln centre, New York, USA - as part of Whitelight Festival.
- Future Everything (Manchester, UK) – PM Studio residents and iShed projects were exhibited at this conference celebrating the latest developments in art, music and technology:
  - Duncan Speakman and Émilie Grenier spoke about *We are Forests*, developed through a cross-European residency.
  - Dan Williams participated in a *Hacking Culture* panel exploring the relationships between culture and data.
  - A showcase of projects developed as part of Media Sandbox 2011. Darius Pocha of Moska exhibited his scent sculptures, Alex Ryley of Mutant Labs presented one of their sound-controlled games and Nu Desine’s Adam Place ran a music hacking workshop, and presented their new musical instrument AlphaShere.
- Festival of Ideas (Bristol, UK) – a Pervasive Media Studio talk by Clare Reddington as part of the Bristol Genius strand.
- Media Innovation Conference (Plymouth, UK) - talk by Clare Reddington about the “Internet of Things” and “Playable Cities”.
- Newport University (Newport, UK) – an introduction to the Pervasive Media Studio, presented by Victoria Tillotson as part of a residency workshop with artist Jen Southern.
- Edinburgh Festival (UK) - British Council Showcase - Theatre Sandbox panel discussions by Clare Reddington and Dick Penny.
- Creative Entrepreneurship Conference (Tallinn, Estonia) - presentation by Clare Reddington and Dick Penny.
- Crafts Council Westminster, STEM briefing (London, UK) - presentation on Craft and the Internet of Things Ideas lab by Clare Reddington.
- National Advisory Trust Board (Bristol, UK) – presentation on “Bristol as an innovation test bed” by Clare Reddington.
- Belfast Digital Week – presentation by Clare Reddington for Belfast Met and Craft Northern Ireland on the Future of the Internet.
- AHRC Beyond Text Conference (London, UK) – Clare Reddington led a panel discussion on “What is the Digital Economy?”.
- SXSW music and film interactive (Austin, Texas) – attended by Victoria Tillotson as part of *Beyond Dance Dance Revolution*, a panel discussing artworks at the intersection of dance, games and quantum physics, as part of the Convergence strand of SXSW Interactive.
- Encounters International Short Film Festival (Bristol, UK) - Victoria Tillotson took part in a session discussing film in a transmedia context, as part of the main festival programme.
- Dublin Contemporary (Dublin, Ireland) – attended by Victoria Tillotson as part of a session on *Living with the Panopticon: Acts of Non-compliance in the Digital World* with Blast Theory and iShed.

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

Watershed was also featured as an organisation demonstrating best practice in the publication "Creative Cuts – Best Practice research on culture and creative industries in the United Kingdom" published by the Embassy of the Kingdom of the Netherlands, London.

### E&W sheds

The prolonged economic downturn continues to impact on our ability to secure a tenant for our vacant unit 5-8. This unit is the largest of our 5 rental spaces and has proved difficult to let in the current economic climate. Towards the end of 2011/12 we entered into negotiation with a prospective tenant and we hope to complete the deal early in 2012/13.

Our long term aim for E & W sheds is to create:

- an attractive, mixed use, high profile sustainable destination as the gateway to the Harbourside,
- an accessible location for Watershed,
- an income stream to be applied to the charitable objectives of the Trust, with a particular emphasis on projects involving the creative industries.

In the year, South West Regional Development Agency (SWRDA), the body that funded the purchase of the head lease to E & W sheds, closed following government cuts. Before its closure the Arts Trust and SWRDA mutually agreed to terminate the agreement entered into on 27 March 2007 and the related legal charge on the property, which had been entered into as a condition of the funding.

The agreement for termination was approved at a meeting of the Council of Management held on 8 August 2011 and the agreement and related legal charge were terminated in September 2011. This restores complete control of the Headlease and its income streams to Watershed. At the meeting, Watershed's Council of Management resolved that it would apply any future net rental income that it receives in respect of the units at E&W Sheds to support the economic growth of the creative sector as a whole and not just an historic definition of "arts", which is consistent with the Trust's objects to support "...all other forms of artistic or creative works..." and with the Trust's business plan objectives. This is in keeping with the spirit of the original agreement with SWRDA.

### Financial review

The consolidated results set out on pages 21 to 23 show a deficit of £150,142 (2011: £nil) for the year. The surplus on unrestricted funds for the year totalled £5,908,072 (2011: surplus of £17,227). Further details are set out in notes 18 and 19.

Cinema ticket sales in the year totalled £610,012 (2011: £569,015).

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 £2,028 (2011: £nil) and made donations of £100,680 (2011: £72,070) through gift aid to the Charity.

- Café/bar food and liquor sales totaled £1,096,543 (2011: £1,099,238). 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 produce and providing an exceptional customer experience. We successfully improved our sales margins on food and liquor in the year by maintaining stringent control processes, careful product selection and menu design.
- Conference income totalled £348,950 (2011: £337,332). The economic downturn continues to seriously impact on this area of our business. However, in the year we reviewed our conference food offer, creating new menus which offer our customers excellent value for money and flexibility of choice. As a result we have seen our food sales increase significantly as a proportion of room hire sales in the year.

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 £1,778 (2011: £3,071) and total revenue of £197,240 (2011: £469,728).

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

The principal funding sources, apart from profits from Watershed Trading Limited, were cinema admission fees (17% of group turnover), rental income/service charges from the tenants of E & W sheds and other property related income (7% of group turnover), revenue 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 (22% of group turnover). Project funding was received from a range of partners including Arts Council South West, Creative England, Bristol City Council, the BFI, University of the West of England, University of Bristol, British Council and the European Commission.

Watershed has a complex income portfolio. Over 65% of our income comes from income generated through cinema ticket sales, rental income, café/bar sales and conference sales and we rely on our ability to sustain these income streams in order to support the charitable activities of the Arts Trust. In this time of on-going recession these areas are at risk and we continue to see the impact of this on our business in the year.

Whilst our conference sales showed a small increase on the previous year we are still trading at around 10% below pre-recession levels which equates to approximately £45,000 of profit. With increased competition locally and changes to the industry in general we consider it unlikely that this area of the business will increase significantly in the coming years.

The most significant impact of the economic downturn continues to be on our headlease tenants. The unit which remained vacant at the end of the previous financial year remained vacant throughout 2011/12. Despite marketing the property we received little interest in letting out the unit in whole or in part for most of the year. Finally, we entered into negotiation with a prospective tenant and these negotiations were on-going at the end of the financial year. However, with the change in the economic climate, the rental being negotiated is lower than that paid by the previous tenant. The total negative financial impact on Watershed of the vacant unit is in the region of £147,000.

We are working to develop other income streams and are focussing on developing partnerships with other organisations both nationally and internationally.

In the year we entered into a 5 year collaboration agreement with the University of the West of England and the University of Bristol. This partnership has been reinforced by the relocation of the Pervasive Media Studio into the Watershed building in October 2011 and will make a significant contribution to the Studio overheads in the future. We still hold the lease to the studio's previous location in the Leadworks, which expires in December 2012. We are seeking to secure new tenants for the premises in order to cover the costs until the lease expires.

We have developed international partnerships in the year with Guimarães 2012, the British Council and the City of Bordeaux and we expect these relationships to grow in the coming year, extending the reach of the charity and its subsidiary iShed internationally. We also expect to see a significant financial contribution from these sources to support the charitable activities of the Arts Trust.

Following our success in securing National Portfolio status with the Arts Council for the financial years 2012/13 - 2014/15 and an award from the Arts Council's Grants for the Arts Scheme for 2011/12 to bridge the gap until the commencement of our new funding relationship, we have been able to consolidate our digital infrastructure and move forward with our Vision 2015 plan. We look forward to working closely with the Arts Council in the coming year to achieve our ambitions and meet demand.

We monitor our performance closely to ensure that we deliver maximum public benefit and will undertake a review of our monitoring systems in the coming year to increase the effectiveness of this process.

In order to deliver financial stability our stringent budgeting process ensures that we set realistic margins and achievable income targets. Overhead costs are reviewed annually to ensure that savings are made wherever possible without compromising the quality of our public services and activities. Achievements against financial targets are monitored on a monthly basis through the analysis of detailed management monthly accounts and various income reports, produced on a weekly and monthly basis. Where we are failing to meet our targets appropriate action is taken to ensure that we remain on track as an organisation.

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

### 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; and
- to protect against unpaid rental income and to ensure E & W sheds are maintained in an excellent state of repair.

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

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

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

In addition to this reserve fund, Watershed has established a designated development fund specifically to ring fence surpluses associated with the rental income from E & W sheds. At the end of the financial year 2011/12 Watershed has £111,644 in unspent funds from this source.

This designated fund is for the purpose of:

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

In 2011/12 a new designated fund was established to ring fence the balance of the Headlease purchased with a capital grant from SWRDA in 2007. These funds became unrestricted in the year (see note 18).

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 28 March 2012.

At the end of 2011/12 free reserves totalled £52,442.

### 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, audiences and partners;
- a cultural programme which amplifies and extends the full breadth of the organisation's activities - showcasing talent and remaining accessible to new participants;
- a programme for young people which develops media literacy in the school curriculum and beyond;
- international recognition for excellence as both an international centre for cultural cinema and as a centre of creative technologies innovation;
- 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; and
- a thriving destination where staff, customers and partners are inspired to engage with our offer and with each other.



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

### Towards these objectives in 2012/13 we will:

- Explore the potential of emerging digital distribution channels and platforms and continue to develop DShed as an online platform to showcase excellent art.
- 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.
- Develop our engagement with BME audiences through artistically-led intercultural programming.
- Co-produce networks, festivals and events to enhance the user experience of moving image and digital media.
- Build on Watershed's role as pathfinder and cultural connector and innovator through developing partnerships with Bristol University, the University of the West of England and the creative technology sector.
- Continue to work towards developing E&W sheds as a high quality cultural destination and creative industries hub.

### Structure, governance and management

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

Watershed's governance structure is established to reflect and support the Group structure and 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 Chair of the Council of Management and the Chairs of the subsidiary companies, iShed CIC and Watershed Trading Limited together with representatives from Watershed management and a representative from the CoM 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.

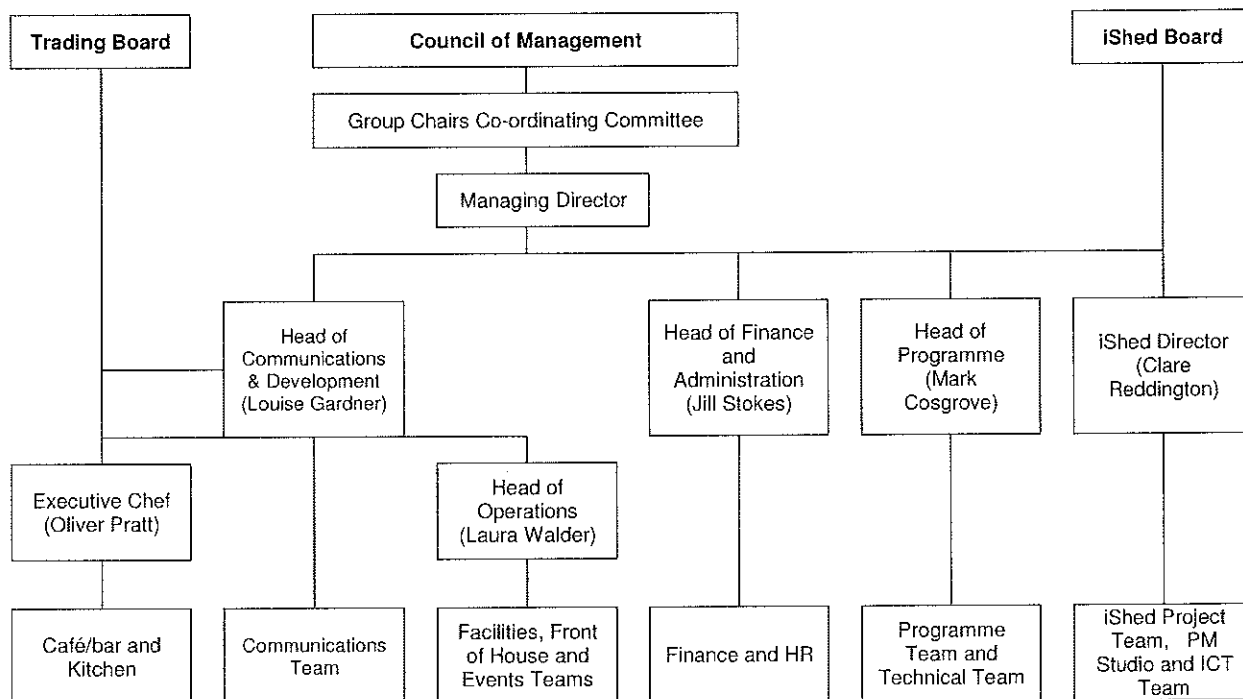
Potential members with an expertise required by Watershed are actively sought out and invited to attend meetings of the CoM as observers for a short period of time. In due course official appointment is made by serving members if deemed appropriate. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance.

We recognise that maintaining an effective Board is essential to Watershed's success. Following on from our review of the skills and operation of our CoM in the previous year we implemented changes to its composition and identified prospective new members to ensure that it remains fit for purpose.

Watershed's organisational structure is shown in the diagram below. During the year management responsibilities were reviewed, clarified and re-aligned to better manage the organisation's performance as it moves forward.

There are four senior managers reporting to the Managing Director and two other senior managers report to the Head of Communications. Senior managers take responsibility for the day-to-day operation of the Arts Trust, Trading and iShed operations. The Managing Director focuses on strategy and co-ordination of the Group.

**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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities.

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

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

### Reference and administrative details

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

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

#### Elected Trustees

Dr. D. Price (Chair)

P. Appleby – resigned January 2012, appointed August 2012

L. Bilbe

W. J. Bowen – resigned December 2011

D. Bunyan

Dr. J. Chakrabarti-Gallemore

J. Durrant – appointed June 2011

A. Gilkison – appointed December 2011

C. Garcia – appointed December 2011

J. Knell – appointed June 2011, resigned May 2012

Prof. M. Lister – resigned December 2011

S. Luton – appointed June 2011

J. Touzel

S. Williams – resigned December 2011

S. Wilson – appointed December 2011

R. Saint – appointed April 2012

#### City Council nominees

Clr. Neil Harrison – resigned April 2011

Clr. Helen Holland

Clr. Mark Wright – appointed June 2011

Registered company number 1608779

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

**Secretary:** J. Touzel  
**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**  
*Chair of the Council of Management*

1 Canon's Road  
Bristol  
BS1 5TX

Date

26/09/12

**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 Watershed Arts Trust Limited for the year ended 31 March 2012 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

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

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

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

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

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

*Nexia Smith & Williamson*

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

Portwall Place  
Portwall Lane  
Bristol, BS1 6NA

Date: 28 September 2012

Nexia Smith & Williamson 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 2012*

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Total Funds 2012 £	Total Funds 2011 £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Voluntary income	3	21,677	9,220	30,897	262,346
Activities for generating funds	5/6	1,476,901	-	1,476,901	1,435,935
<i>Investment income:</i>					
Interest receivable		312	-	312	291
		<u>1,498,890</u>	<u>9,220</u>	<u>1,508,110</u>	<u>1,698,572</u>
<i>Incoming resources from charitable activities</i>					
Earned income from cinema activities		640,487	-	640,487	614,026
Rental income		157,789	-	157,789	167,473
Service charges		101,358	-	101,358	114,424
Other earned income		53,124	-	53,124	20,400
Project funds	3	-	827,089	827,089	968,950
Core grant funding	3	419,081	-	419,081	442,807
		<u>1,371,839</u>	<u>827,089</u>	<u>2,198,928</u>	<u>2,328,080</u>
<i>Other incoming resources</i>					
Capital grants (building/construction/refurbishment)	3	-	-	-	63,865
<b>Total incoming resources</b>		<u><b>2,870,729</b></u>	<u><b>836,309</b></u>	<u><b>3,707,038</b></u>	<u><b>4,090,517</b></u>
<b>Resources expended</b>					
<i>Costs of generating funds</i>					
Costs of generating voluntary income	7	(9,355)	-	(9,355)	(8,332)
Commercial trading operations	5	(1,202,838)	-	(1,202,838)	(1,219,446)
		<u>(1,212,193)</u>	<u>-</u>	<u>(1,212,193)</u>	<u>(1,227,778)</u>
Operation of cinema and digital media projects	8	(1,587,139)	(672,693)	(2,259,832)	(2,322,138)
CIC operation	6	(40,995)	(163,616)	(204,611)	(455,847)
Property management costs		(124,046)	-	(124,046)	(114,424)
<i>Governance costs</i>	7	(56,498)	-	(56,498)	(49,579)
<b>Total resources expended</b>		<u><b>(3,020,871)</b></u>	<u><b>(836,309)</b></u>	<u><b>(3,857,180)</b></u>	<u><b>(4,169,766)</b></u>
Net outgoing resources before transfers and Net expenditure for the year		(150,142)	-	(150,142)	(79,249)
Transfers between funds	19	6,058,214	(6,058,214)	-	-
Net movement in funds		<u>5,908,072</u>	<u>(6,058,214)</u>	<u>(150,142)</u>	<u>(79,249)</u>
<i>Reconciliation of funds</i>					
Total funds brought forward		293,723	7,931,813	8,225,536	8,304,785
<b>Total funds carried forward</b>		<u><b>6,201,795</b></u>	<u><b>1,873,599</b></u>	<u><b>8,075,394</b></u>	<u><b>8,225,536</b></u>

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

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

The notes on pages 24 to 39 form part of these financial statements.

## Consolidated cash flow statement

for the year ended 31 March 2012

	2012	2011
	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	<b>12,584</b>	<b>(3,731)</b>
Returns on investments and servicing of finance	312	291
Taxation paid	(3,535)	(411)
Capital expenditure and financial investment	(125,476)	(93,763)
	<hr/>	<hr/>
<b>Net cash flow before financing</b>	<b>(116,115)</b>	<b>(97,614)</b>
Financing – increase in loans	-	80,000
	<hr/>	<hr/>
<b>Decrease in cash</b>	<b>(116,115)</b>	<b>(17,614)</b>
Cash at bank and in hand at beginning of year	541,569	559,183
	<hr/>	<hr/>
Cash at bank and in hand at end of year	425,454	541,569
	<hr/> <hr/>	<hr/> <hr/>

### Reconciliation of operating profit to net cash flow from operating activities

	2012	2011
	£	£
Net outgoing resources	(150,142)	(79,249)
Tax on ordinary activities	1,727	2,053
Interest receivable	(312)	(291)
Depreciation charges	224,364	210,999
Change in stocks	151	1,959
Change in debtors	(22,266)	(38,699)
Change in creditors	(40,938)	(100,503)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>12,584</b>	<b>(3,731)</b>
	<hr/> <hr/>	<hr/> <hr/>

### Reconciliation of net cash flow to movement of net funds

	2012	2011
	£	£
Decrease in cash in period	(116,115)	(17,614)
Increase in loan	-	(80,000)
	<hr/>	<hr/>
Change in net funds	(116,115)	(97,614)
Net funds at 1 April 2011	461,569	559,183
	<hr/>	<hr/>
Net funds at 31 March 2012	345,454	461,569
	<hr/> <hr/>	<hr/> <hr/>

### Reconciliation of changes in net funds

	At 1 April 2011	Cash flows	Non-cash movements	At 31 March 2012
	£	£	£	£
Net cash:				
Cash in hand and at the bank	541,569	(116,115)	-	425,454
Debt:				
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(80,000)	-	-	(80,000)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net funds</b>	<b>461,569</b>	<b>(116,115)</b>	<b>-</b>	<b>345,454</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 24 to 39 form part of these financial statements.

## Consolidated and company balance sheets

at 31 March 2012

	Note	Group		Charity	
		2012 £	2011 £	2012 £	2011 £
<b>Fixed assets</b>					
Tangible assets	12	8,022,952	8,121,840	8,013,400	8,105,974
Investments	13	-	-	101	101
		<u>8,022,952</u>	<u>8,121,840</u>	<u>8,013,501</u>	<u>8,106,075</u>
<b>Current assets</b>					
Stocks	14	18,154	18,305	-	-
Debtors	15	360,320	338,054	336,579	361,246
Cash at bank and in hand		425,454	541,569	200,162	278,161
		<u>803,928</u>	<u>897,928</u>	<u>536,741</u>	<u>639,407</u>
<b>Creditors: due within one year</b>	16	(671,486)	(713,960)	(424,169)	(467,188)
<b>Net current assets</b>		<u>132,442</u>	<u>183,968</u>	<u>112,572</u>	<u>172,219</u>
<b>Total assets less current liabilities</b>		<u>8,155,394</u>	<u>8,305,808</u>	<u>8,126,073</u>	<u>8,278,294</u>
<b>Creditors: due after more than one year</b>		(80,000)	(80,000)	(80,000)	(80,000)
<b>Provisions for liabilities and charges</b>	17	-	(272)	-	-
<b>Net assets</b>		<u>8,075,394</u>	<u>8,225,536</u>	<u>8,046,073</u>	<u>8,198,294</u>
<b>Unrestricted income funds - general</b>	18	195,077	182,079	165,756	154,837
<b>Unrestricted income funds - designated</b>	18	6,006,718	111,644	6,006,718	111,644
<b>Restricted capital funds</b>	19	1,873,599	7,931,813	1,873,599	7,931,813
<b>Total funds</b>		<u>8,075,394</u>	<u>8,225,536</u>	<u>8,046,073</u>	<u>8,198,294</u>

These financial statements were approved by the Council of Management on 26/09/12 and were signed on its behalf by:



**D Price**  
Chair of the Council of Management

The notes on pages 24 to 39 form part of these financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Basis of preparation*

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

#### *Basis of consolidation*

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), and Watershed Trading Limited and iShed CIC, its wholly owned trading subsidiaries made up to 31 March 2012.

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

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

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

#### *Grants*

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

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

#### *Income*

Income in furtherance of the charity's activities represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of cinema ticket sales and 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 & W Sheds. These funds will be applied to the charitable activities of the Arts Trust with particular emphasis on supporting the economic growth of the creative sector as a whole.

In 2011/12 a designated fund has been established to hold the headlease of the properties funded by a capital grant from SWRDA (see note 18).

##### *Subsidiaries*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Fixed assets and depreciation

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

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

Furniture and fittings 10% - 20% per annum

Plant and equipment 10% - 33% per annum

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

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

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

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

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

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

In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years time and consequently the costs of this work are being depreciated over a 10 year period.

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

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

### 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 2012 there were 13 members.

## Notes (continued)

### 3 Grant and project income receivable

	Deferred as at 1 April 2011 £	Cash received & receivable 11/12 £	Credited to income & expenditure 11/12 £	Transferred to capital grants 11/12 £	Deferred as at 31 March 2012 £
<b>Incoming resources from generated funds</b>					
<b>Grants and sponsorship:</b>					
<b>Restricted</b>					
Arts Council England - Thrive	9,220	-	9,220	-	-
<b>Unrestricted</b>					
Other grants – Europa Cinemas	-	21,677	21,677	-	-
<b>Total grants and sponsorship</b>	<b>9,220</b>	<b>21,677</b>	<b>30,897</b>	<b>-</b>	<b>-</b>
<b>Incoming resources from charitable activities</b>					
<b>Unrestricted</b>					
<b>Core grant funding</b>					
Arts Council South West	-	320,131	320,131	-	-
Bristol City Council	-	98,950	98,950	-	-
<b>Total Core grant funding</b>	<b>-</b>	<b>419,081</b>	<b>419,081</b>	<b>-</b>	<b>-</b>
<b>Restricted</b>					
<b>Project funding - grants</b>					
Arts Council England	32,617	504,732	537,349	-	-
South West Screen	-	37,500	37,500	-	-
Creative England	-	37,500	37,500	-	-
British Film Institute	-	32,850	32,850	-	-
University of Gloucester	10,670	21,284	28,156	-	3,798
European Funding	27,568	8,980	36,236	-	312
Other grants	9,667	7,071	16,738	-	-
<b>Project funding - other</b>					
Bristol City Council	9,447	94,200	49,530	-	54,117
AHRC (via REACT Hub universities)	-	26,300	13,460	-	12,840
European Funds	-	66,598	32,020	-	34,578
Other Project Funds	4,000	1,750	5,750	-	-
<b>Total Project Funds</b>	<b>93,969</b>	<b>838,765</b>	<b>827,089</b>	<b>-</b>	<b>105,645</b>
<b>Total</b>	<b>103,189</b>	<b>1,279,523</b>	<b>1,277,067</b>	<b>-</b>	<b>105,645</b>

### 4 Financial activities of the charity

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

The gross incoming resources for the year ended 31 March 2012 for the charity was £2,347,070 (2011: £2,412,631). The overall net incoming resources for the year was a deficit of £152,221 (2011: deficit of £80,267), with a surplus of £10,919 (2011: surplus of £16,209) on unrestricted reserves.

**Notes** *(continued)*

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

	2012 Total £	2011 Total £
<b>Turnover</b>	1,484,411	1,471,431
Cost of sales	(1,061,110)	(1,052,089)
	<hr/>	<hr/>
<b>Gross profit</b>	423,301	419,342
Administration and other costs	(140,705)	(167,357)
	<hr/>	<hr/>
<b>Trading profit</b>	282,596	251,985
Other income	106	79
	<hr/>	<hr/>
<b>Net income</b>	282,702	252,064
Gift aid payment to Watershed Arts Trust Limited	(100,680)	(72,070)
Management charge from Watershed Arts Trust Limited	(179,994)	(179,994)
Tax on profit on ordinary activities	(1,023)	-
	<hr/>	<hr/>
<b>Retained profit for the year</b>	1,005	-
Retained profit brought forward	24,611	24,611
	<hr/>	<hr/>
<b>Retained profit carried forward</b>	25,616	24,611
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2012 Total £	2011 Total £
Fixed assets	9,552	15,866
Current assets	284,289	315,792
Creditors: amounts falling due within one year	(268,125)	(306,675)
Provisions for liabilities and charges	-	(272)
	<hr/>	<hr/>
<b>Net assets</b>	25,716	24,711
	<hr/> <hr/>	<hr/> <hr/>
<b>Equity shareholders' funds</b>	25,716	24,711
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

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

	2012 Total £	2011 Total £
<b>Turnover</b>	197,240	469,728
Cost of sales	(70,051)	(314,835)
	<hr/>	<hr/>
<b>Gross profit</b>	127,189	154,893
Administration and other costs	(134,256)	(143,374)
Other operating income	8,826	-
	<hr/>	<hr/>
<b>Trading profit</b>	1,759	11,519
Other income	19	52
	<hr/>	<hr/>
<b>Net income</b>	1,778	11,571
Gift aid payment to Watershed Arts Trust Limited	-	-
Management charge from Watershed Arts Trust Limited	-	(8,500)
Tax on profit on ordinary activities	(704)	(2,053)
	<hr/>	<hr/>
<b>Retained profit for the year</b>	1,074	1,018
Retained profit brought forward	2,631	1,613
	<hr/>	<hr/>
<b>Retained profit carried forward</b>	3,705	2,631
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2012 Total £	2011 Total £
Current assets	81,225	92,672
Creditors: amounts falling due within one year	(77,519)	(90,040)
	<hr/>	<hr/>
<b>Net assets</b>	3,706	2,632
	<hr/> <hr/>	<hr/> <hr/>
<b>Equity shareholders' funds</b>	3,706	2,632
	<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
	£	£	£	£
<b>Support cost</b>				
General office	66,707	3,097	10,192	<b>79,996</b>
Finance office	117,313	6,258	30,525	<b>154,096</b>
External audit	-	-	14,394	<b>14,394</b>
Professional services	1,539	-	1,387	<b>2,926</b>
ICT costs	41,130	-	-	<b>41,130</b>
	<u>226,689</u>	<u>9,355</u>	<u>56,498</u>	<u><b>292,542</b></u>

### 8 Analysis of charitable expenditure

	Audience Participation Programme	Cross art- form production	2012 Total	2011 Total
	£	£	£	£
Film hire costs	232,803	-	<b>232,803</b>	207,565
Front of house/projection costs	355,396	-	<b>355,396</b>	359,084
Direct programme/project costs	267,318	222,952	<b>490,270</b>	581,894
Marketing and publicity	272,456	56,420	<b>328,876</b>	292,992
Premises costs	238,105	169,643	<b>407,748</b>	466,680
Support costs	187,800	38,889	<b>226,689</b>	213,624
Depreciation	162,881	55,169	<b>218,050</b>	200,299
	<u>1,716,759</u>	<u>543,073</u>	<u><b>2,259,832</b></u>	<u>2,322,138</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	
	2012	2011
Cinema and exhibition	35	29
Administration	12	12
Catering	13	13
Bar	13	16
Conference	4	4
	77	74
	77	74

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£	£
Directors emoluments	47,064	42,021
Wages and salaries	1,621,839	1,571,047
Social security costs	141,216	138,958
	1,810,119	1,752,026
	1,810,119	1,752,026

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 (2011 – there was only one employee whose emoluments exceeded £60,000).



**Notes** (continued)

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

	2012	2011
	£	£
Auditors' remuneration - audit	11,450	11,907
Depreciation and other amounts written off tangible fixed assets	224,364	210,999
Hire of plant and machinery	4,756	4,756
	11,450	11,907

**11 Taxation**

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

	2012	2011
	£	£
<b>Current tax:</b>		
UK corporation tax on results of the year	1,999	3,535
<b>Deferred tax</b> (see note 17)		
Origination/reversal of timing differences	(272)	(1,482)
	1,727	2,053

*Factors affecting the tax charge for the current period*

The tax assessed for the period differs from the standard rate of corporation tax in the UK (20%), (2011: 21%). The differences are explained below:

	2012	2011
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,806	3,071
	762	645
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	679	-
Other timing differences	-	1,482
Expenses not deductible for tax purposes	558	1,408
	1,999	3,535

**Notes** (continued)

**12 Tangible Fixed Assets**

<b>Group</b>	<b>Headlease</b>	<b>Leasehold</b>	<b>Plant, Equipment</b>	<b>Total</b>
	<b>£</b>	<b>Improvements</b>	<b>Furniture, Fittings</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Cost</i>				
At beginning of year	6,214,399	3,015,162	706,177	9,935,738
Additions	-	23,327	102,149	125,476
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,038,489	808,326	10,061,214
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	263,580	950,881	599,437	1,813,898
Charge for year	55,746	101,141	67,477	224,364
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	319,326	1,052,022	666,914	2,038,262
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>	<b>5,895,073</b>	<b>1,986,467</b>	<b>141,412</b>	<b>8,022,952</b>
<b>At 31 March 2012</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2011	5,950,819	2,064,281	106,740	8,121,840
	<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	624,821	9,854,382
Additions	-	23,327	102,149	125,476
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,038,489	726,970	9,979,858
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	263,580	950,881	533,947	1,748,408
Charge for year	55,746	101,141	61,163	218,050
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	319,326	1,052,022	595,110	1,966,458
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2012	<u>5,895,073</u>	<u>1,986,467</u>	<u>131,860</u>	<u>8,013,400</u>
At 31 March 2011	<u>5,950,819</u>	<u>2,064,281</u>	<u>90,874</u>	<u>8,105,974</u>

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

### 13 Fixed asset investment

Shares	Charity 2012 £
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	
	2012 £	2011 £	2012 £	2011 £
Finished goods and goods for resale	<u>18,154</u>	<u>18,305</u>	<u>-</u>	<u>-</u>

**Notes** *(continued)*

**15 Debtors**

	<b>Group</b>		<b>Charity</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	£	£	£	£
Trade debtors	213,777	100,279	97,478	10,692
Prepayments and accrued income	141,315	175,965	136,286	171,576
Other debtors including taxation and social security	5,228	61,810	4,498	38,008
Amounts owed by group undertakings	-	-	98,317	140,970
	<u>360,320</u>	<u>338,054</u>	<u>336,579</u>	<u>361,246</u>

All debtors are recoverable within one year.

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

	<b>Group</b>		<b>Charity</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	£	£	£	£
Trade creditors	269,215	369,907	204,091	283,582
Other creditors including taxation and social security	159,934	138,040	66,564	46,901
Accruals and deferred income	242,337	206,013	153,514	127,732
Amounts owed to group undertakings	-	-	-	8,973
	<u>671,486</u>	<u>713,960</u>	<u>424,169</u>	<u>467,188</u>

Other creditors includes £64,422 (2011: £55,789) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £88,238 and deferred income comprising £1,194 of advance sales, £23,830 of conference deposits, £23,430 of rental income received in advance and £105,645 of grant and project income (note 3).

**Notes** *(continued)*

**17 Provisions and liabilities**

Group	Deferred Tax £
At beginning of year	272
Release in the year (note 11)	(272)
	<hr/>
<b>At end of year</b>	<b>-</b>
	<hr/> <hr/>

The elements of deferred taxation are as follows:

	2012 £	2011 £
Difference between accumulated depreciation and capital allowances	-	272
	<hr/>	<hr/>

The charity has no deferred taxation liabilities.

**18 Unrestricted income funds**

	Group £	Charity £
At beginning of year	293,723	266,481
Movement in year before transfers	(150,142)	(152,221)
Transfer from restricted funds (note 19)	6,058,214	6,058,214
	<hr/>	<hr/>
<b>At end of year</b>	<b>6,201,795</b>	<b>6,172,474</b>
	<hr/> <hr/>	<hr/> <hr/>

	At beginning of year	Incoming Resources	Expenditure	Transfers	Re- classification from restricted funds	Balance at 31 March 2012
	£	£	£	£	£	£
<b>Unrestricted Income Funds</b>						
General fund	182,079	3,707,038	(3,826,566)	132,526	-	195,077
<i>Designated Funds</i>						
Bristol+ contingency fund	111,644	-	-	-	-	111,644
Capital grants fund	-	-	(30,614)	-	5,925,688	5,895,074
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	293,723	3,707,038	(3,857,180)	132,526	5,925,688	6,201,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**Notes** (continued)

**18 Unrestricted income funds** (continued)

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

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

In 2011/12 the sum of £5,925,688 has been reclassified as unrestricted funds. This represents the headlease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the headlease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust. Therefore, it does not form part of the freely available reserves of the Trust.

**19 Restricted funds: Group and Charity**

	At beginning of year	Incoming Resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing Resources	At end of year
	£	£	£	£	£	£
<b>Capital grants</b>						
Leasehold premium reserve	39,537	-	(9,885)	-	-	29,652
Deferred capital grant	36,180	-	(1,600)	-	-	34,580
Deferred capital refurbishment grants	1,178,857	-	(67,425)	-	-	1,111,432
Lottery lease purchase grant	609,839	-	(8,712)	-	-	601,127
SWRDA lease purchase grant	5,950,819	-	(25,131)	(5,925,688)	-	-
ACE GforA capital grant	61,288	-	(2,800)	-	-	58,488
BFI equipment grant	55,293	-	(16,973)	-	-	38,320
	<u>7,931,813</u>	<u>-</u>	<u>(132,526)</u>	<u>(5,925,688)</u>	<u>-</u>	<u>1,873,599</u>
<b>Voluntary income</b>						
Grants and Sponsorship	-	30,897	-	-	(30,897)	-
Donated services	-	-	-	-	-	-
<b>Incoming resources from charitable activities</b>						
Project funding – grants	-	726,329	-	-	(726,329)	-
Project funding – other	-	100,760	-	-	(100,760)	-
Core Grant funding	-	419,081	-	-	(419,081)	-
	<u>-</u>	<u>1,277,067</u>	<u>-</u>	<u>-</u>	<u>(1,277,067)</u>	<u>-</u>
	<u>7,931,813</u>	<u>1,277,067</u>	<u>(132,526)</u>	<u>(5,925,688)</u>	<u>(1,277,067)</u>	<u>1,873,599</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.

**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 £	2012 Total £	2011 Total £
Fixed assets	6,149,353	1,873,599	8,022,952	8,121,840
Net current assets	132,442	-	132,442	183,968
Long term liabilities	(80,000)	-	(80,000)	(80,000)
Provisions for liabilities and charges	-	-	-	(272)
	<u>6,201,795</u>	<u>1,873,599</u>	<u>8,075,394</u>	<u>8,225,536</u>

**Notes** *(continued)*

**21 Operating leases**

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

	2012 Group and Charity plant and equipment £	2011 Group and Charity plant and equipment £
Expiring within:		
Less than 1 year	-	5,756
Two to five years	4,046	4,824
Greater than five years	1,119	-
	5,165	10,580
	5,165	10,580

**22 Related Party Transactions**

During the year legal fees of £5,770 (2011: £8,101) 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.

A donation of £1,000 (2011: £nil) was made to the Community Farm. In addition, the sum of £1,033 was paid to the Community Farm (2011: £1,954 to the Better Food Company) in respect of food purchases for Watershed Trading's café/bar operation. Phil Haughton is a director of Watershed Trading Ltd, the Community Farm and the Better Food Company.

Payments totalling £7,200 (2011: £nil) were made to Jericho Partners in respect of consultancy fees for staff development. Stephen Wilson is a Director of Jericho Partners and a Director of Watershed Trading Ltd and Watershed Arts Trust Ltd.

Payments totalling £13,049 (2011: £nil) were made to Vid Communications in respect of consultancy services. Paul Appleby, who resigned as Trustee of Watershed Arts Trust Limited on 22 January 2012, is a director of Vid Communications.

**23 Post Balance Sheet Events**

On 18 July 2012 Watershed Arts Trust Limited purchased 50 ordinary shares with a nominal value of £1 from its subsidiary, iShed CIC, for consideration of £1,000 per share.