

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

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

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2013

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Report of the Council of Management

The Council presents its annual report and the audited consolidated financial statements for the year ended 31 March 2013. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and iShed CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) ("the Charities SORP").

Objectives and Activities

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

Over the past thirty 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 curator and producer developing audiences, 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.

Watershed's strategic approach in achieving this vision is to:

- be a producer of inspirational cultural experiences.
- identify, nurture and develop talent.
- produce open collaborations which bridge expertise, imaginations and boundaries to promote emergent practice.
- be an active collaborator and connector in the Bristol innovation eco system.
- 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 an open gateway to cultural appreciation, production and experience for the young people of Bristol.
- act as a pathfinder to new value in the cultural and creative economy.
- ensure that the public enjoy and value the experience.

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 2012/13

- 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.

Achievements and Performance

Since its opening in 1982 Watershed has continually strived to reach as wide an audience as possible across a full spectrum of cultures, social groups and ages. In 2012/13, over 300,000 people visited Watershed.

- Paid admissions for cinema screenings, talks and events - 125,000
- Different film titles/programmes screened - 306
- Producing countries represented in the film programme - 42
- Events/screenings delivered in collaboration with BME groups - 45
- Loyalty Card scheme members - 5,000
- Experiences for young people through screenings, events and workshops - 4,000
- Artists and creatives supported - 114
- Knowledge sharing events - 86
- Cultural and community organisations collaborating on projects - 50
- University students engaged in study modules - 64
- Academics collaborating on research projects - 48
- Businesses collaborating on projects - 30

Watershed also reached beyond the venue through performances on other locations, tours and the world wide web.

- Website visitors - 4,000,000
- Audiences for performances elsewhere - 10,000

In June 2012 Watershed celebrated its 30th Birthday with an open day providing the general public with the opportunity to sample what goes on at Watershed and experience some of Bristol's creative talent at work. The event was a huge success attracting over 3,000 visitors in the course of the day to experience:

- **Open Studio** – The Pervasive Media Studio (PM Studio) opened its doors to the public, offering guided tour and an invitation to experience and interact with the work of Studio residents through ongoing projects including:
 - **AlphaSphere** – a new electronic musical instrument created by nu desine.
 - **Theatre Jukebox** – an arcade style jukebox that plays stories instead of music.
 - **Films** showcasing some of the creative work produced by Studio residents over the last 4 years.
- **Danceroom Spectroscopy** – An interactive installation, developed by Studio residents Dr. David Glowacki and Phil Tew, allowing the user to visualise how their own energy field interacts with the hidden atomic world.
- **Made in Bristol** – 30 hours of moving image work made in Bristol and celebrating Bristol's diverse communities.
- **8 Minutes Idle** – a preview of the work by Sarah Cox produced as part of the iFeatures initiative.
- **BEAM Live – The first 30** – a specially commissioned live music and moving image piece by John Minton with music by Scott Hendy delving into our archives of the last three decades.

Report of the Council of Management (*continued*)

Leading Independent Cultural Cinema

In 2012/13, Watershed presented a total of 3,180 screenings of 306 films/film programmes to a total audience of 112,391. In total, 42 producing countries were represented by the film programme. To increase public awareness and create a deeper audience engagement Watershed accompanied specific screenings with question and answer sessions providing an opportunity for audiences to discuss the film with its director/producer.

In the year, Watershed built on previous successes in partnership driven seasons, such as Black History Month, to showcase BME work and creative talent. Overall, 45 events/screenings, attracting a total attendance of 7,224 were delivered in collaboration with BME groups as part of this ongoing annual programme of BME partnership event.

Highlights of Watershed's moving image programme included:

- **Afrika Eye Festival** – Watershed played host to the festival presenting a vibrant line-up of African cinema, music and discussion. This year's festival focused on a celebration of fifty years of independence for Jamaica, Trinidad and Tobago and African trauma healing.
- **Jamaica and the Caribbean: Beyond the Boundary** – A 3 day celebration of 50 years of independence for Jamaica, Trinidad and Tobago co-curated by Dr Edson Burton and Dr Peter Clegg and presented by Watershed and UWE in partnership with the Festival of Ideas and Afrika Eye. The programme included a public conference, talks, poetry and film screenings reflecting on the political, cultural and economic development of these countries since independence, and a wider look at their impact on the Caribbean community in Bristol and the UK.
- **Jirí Trnka Retrospective** – A centenary season of the puppet animation pioneer's works presented in partnership with the Czech Centre London, the Czech National Film Archive, BFI and Encounters.
- **Made in Britain Film Season** - A celebration of some of the finest and quirkiest British cinema, digitally restored and rarely seen on the big screen.
- **Encounters International Short Film Festival** – Watershed hosted the UK's leading short film and animation festival in its 18th year.
- **Festival of Ideas** – Watershed hosted the festival in its 8th year with a programme of films, events, talks and open debates designed to stimulate the mind.
- **French Film Festival on Tour** – Watershed presented a selection of 4 films from the French film festival that do not have UK film distribution, providing a one-off opportunity for audiences to view them.
- **Slapstick Silent Film Festival** – Slapstick returned to Watershed in its 9th year celebrating silent and visual comedy.
- **Terracotta Far East Film Festival Tour** - A selection of films from the fourth annual Terracotta Far East Film Festival, the UK's largest Asian film showcase. The festival included a screening of "Return to Burma", the first film made in Burma under the censors' radar and "My Way", the most expensive Korean war epic ever made.
- **Bristol Palestinian Film Festival** - Following the success of last year's inaugural festival, Bristol Palestine Film Festival returned with a season of films, talks and master classes exploring fresh perspectives on Palestine's economic, social, political and cultural life.

Watershed is a fully inclusive venue in terms of both physical access to the building and access to the creative programme. Watershed's film programme includes the provision of audio description and descriptive subtitling on selected film titles. Induction loops are also available in specific locations within the building. In the year Watershed presented 198 audio described screenings and 8 screenings with both audio description and descriptive subtitling.

Physical access to Watershed's cinemas for wheelchair users is provided through the provision of ramps and lifts. Wheelchair spaces are provided at the front and rear of the largest 2 cinemas and at the front of the smallest one.

In the year, Watershed continued its "Cinebabies" weekly daytime screenings for parents/carers with babies under 12 months, providing safe buggy park, changing facilities and a bottle warming service to enable people caring for young babies to view the latest releases in a welcoming environment.

Report of the Council of Management (*continued*)

Pioneering New Music and Film

Watershed is a pioneer in developing the performance of live music/film. In 2012/13 Watershed continued to explore the creative connections between music and film through **Filmic**. This joint collaboration between Watershed and St. George's Bristol launched last year to great acclaim. In 2013 the festival returned to Watershed with a programme of film, music, talks and special events bringing together a range of respected local and international musicians who have been profoundly influenced by film. The line up included a presentation by composer/producer/artist John Parish on his experiences of scoring for film, and an insight into his creative processes.

The festival encompasses 16 screenings/events programmed at Watershed and St. George's, Bristol and continues into April and May 13. Much positive media coverage has already been received for the season including Radcliffe and Maconie's show on BBC 6 Music, Classic FM, BBC Radio Bristol, The Wire and The Guardian Guide.

Producing New Experiences

As part of London 2012, Watershed presented a spectacular evening of one-off commissions and collaborations of cutting-edge music and film, including **Mail Maps and Motion**, at The Passenger Shed in Temple Meads. The programme, conducted by Charles Hazelwood, saw a raft of world-renowned musicians and artists perform live to around 3,000 people. As part of the event, BEAM presented a new musical and visual performance drawing on the themes of the General Post Office Films and a specially assembled band led by Scott Hendy was joined on stage by Inkie, See No Evil Curator, as he created live projected art. The grand finale included a specially commissioned performance, exploring the rich heritage of Temple Meads, one of Bristol's most iconic buildings. This spectacular one-off event brought together the visual innovation of Joanie Lemerrier from world-renowned projection experts AntiVJ and the musical creativity of Adrian Utley from acclaimed band Portishead.

The event was supported by Arts Council England, Bristol City Council and University of Bristol.

Nurturing and Showcasing Talent

Watershed takes an innovative, hands-on approach to nurturing and developing talent, responding to opportunities and constantly developing new mechanisms to support individuals it works with. In 2012/13 Watershed undertook:

- **FilmWorks** - The scheme, managed by Watershed and co-produced by Showroom Workstation in Sheffield and Broadway in Nottingham is a professional development scheme for film-makers providing support and development for regionally based film making talent. Around 150 applications were received for the 48 places available on the scheme. Selected participants received the opportunity to expand their creative and commercial potential through an intense 3 month programme of master classes, programming and mentoring.
- **Future Producers** programme. This scheme provides a unique opportunity for young people (aged 18-25) to work alongside Watershed, receiving mentoring from industry professionals (including Watershed staff) and guest curators with the aim of building skills for future training or employment in the cultural creative industries. In the year 16 talented individuals were selected from 70 applicants to take part in the scheme. The programme included planning and delivering Fresh Flix, a programme of film and media related activities for local young people and children. The programme ran throughout the Autumn culminating in Electric December 2012, Watershed's high profile annual online showcase of young people's creativity. Future Producers continues into 2013/14.
- **BFI Film Academy** - A 3 month pilot programme supported by the BFI providing a unique opportunity for young people aged 16 - 19 to get an insider's perspective on what it's like to work in film, from writing scripts to curating and marketing film. Watershed is one of 24 partners the BFI have appointed to deliver the Film Academy across England.
- **Screenwriters' Group** - a monthly meeting of local screenwriters. See www.bristolscreenwriters.org.
- **Depict!** - Watershed's annual 90 second filmmaking competition for new and emerging creative talent providing a launch pad for up and coming talent. Depict winners are given a prime industry platform at Encounters International Film Festival, the UK gateway to the world's foremost short film and animation awards. In total 600 entries were submitted from 30 different countries, the 15 shortlisted finalists are presented on DShed. The site received 498,774 visits in the year (259,124 in 2011/12) and the films can be viewed at www.depict.org.

Report of the Council of Management (*continued*)

Artists Residencies

Watershed's residency programme provides artists with a unique opportunity to develop experimental works at the intersection of art, technology and culture within the collaborative environment of the PM Studio.

In the year 14 residencies took place including:

- **Craft and Technology Residencies** – three residencies based in Bristol, Falmouth and Plymouth, and supported by the Esmée Fairbairn Foundation and the Crafts Council, exploring the use of science and communication.
- **Juneau Project** - exploring the artistic possibilities of collaborating with "thinking machines".
- **Geiger-Müller Sound System** - exploring how narrative and storytelling may augment experiences demonstrated by sonic graffiti (homemade sound devices left in hidden locations).

Crossing Boundaries

Much of Watershed's activity crosses artform boundaries and those between art, technology and culture. It engages audiences in ideas and cultural context and, whilst rooted in Bristol, extends its reach both nationally and internationally. Highlights in the year include:

- **Playable City Award** – in October 2012, Watershed announced a new £30,000 international commission to challenge creative people to use new technologies in different ways to create a piece of work on the theme of a "playable city". A total of 93 submissions were received and the commission was awarded to London based design studio PAN for "Hello Lamp Post", a project inviting communications through street furniture. The work was installed in Bristol in Summer 2013. The award is supported by sponsorship from various companies from the commercial, creative and education sectors in Bristol.
- **Open City - Guimarães 2012** - This hugely successful project involved commissioning think pieces and participatory artworks around the theme of an "open city" for the Guimarães 2012 – European Capital of Culture programme, culminating in an international symposium brought to life with artistic interventions. The project was delivered in Guimarães, Portugal and online in both English and Portuguese.
- **"Push Me"** – Commissioned by Arts Council England and Creative Scotland for thespace.org, Watershed produced a series of 90 second films celebrating disability, arts and culture as part of "Unlimited", part of the cultural Olympiad programme. The films are presented on "The Space", the Arts Council/BBC digital showcase for the arts, in 3 different formats (standard, subtitles, and audio description) to enable access for all. The 12 featured artists are:
 - **Mish Weaver/Stumble DanceCircus** for "Box of Frogs"
 - **Bobby Baker** for "Mad Gyms and Kitchens"
 - **Sue Austin** for "Creating the Spectacle!"
 - **Jez Colborne** for "Irresistible"
 - **Rachel Gadsden** in collaboration with Bambanani Group for "Unlimited Global Alchemy"
 - **Simon McKeown** for "Motion Disabled: Unlimited"
 - **Graeae with Strange Fruit** for "The Garden"
 - **Laurence Clark** for "Inspired"
 - **Janice Parker** for "Private Dancer"
 - **Ramesh Meyyappen** for "Skewered Snails"
 - **Claire Cunningham** for "Ménage à Trois"
 - **Caroline Bowditch** for "Leaving limbo-land"

The documentary "*Total Permission*" followed the twelve artists at the Southbank Unlimited Festival. The premiere screening took place at Watershed and Bradford National Museum of Film and Photography. It has also screened at the South Bank Centre as part of "Unlimited: An Evening of Film" in February 2013. Other national and international venues have expressed an interest in screening the film and it is likely to tour widely throughout 2013/14.

- **Bristol Enterprise Zone Initiative** – Watershed collaborated with the Local Enterprise Partnership to raise the profile of the City's enterprise zone by animating Bristol Temple Quarter through projects which engage the public through new cultural experiences designed to excite and re-invent perceptions of the area. The project is ongoing into 2013/14.

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Sandbox Innovation Methodology

In 2008 Watershed created and produced its first Sandbox scheme. The scheme, designed to support creative producers to develop early-stage ideas by providing funding, peer support and access to industry expertise, has gone from strength to strength. Since its inception the methodology has been shaped and developed into a highly effective open-innovation system delivering results in a compressed time-frame.

In 2011/12, Watershed became the home for REACT (Research and Enterprise in Arts and Creative Technologies Hub), one of four UK creative economy hubs funded by the Arts and Humanities Research Council. REACT extends Watershed's partnership with UWE and UoB to include the Universities of Bath, Cardiff and Exeter. The four-year project aims to pioneer a new model of creative interaction based on Watershed's successful sandbox model.

In 2012/13 two Sandbox schemes were completed:

- **Heritage Sandbox** - six commissions to develop innovative experiences for the heritage sector using academic research and creative technology.
- **Books and Print Sandbox** - eight commissions to develop explorations around how we will read, learn and publish in the future.

Alumni Support and Mentoring

The PM Studio has created a space which brings together artists, creative companies, technologists and academics working on emergent practice in digital media. It has become a leading international hub for creative technologies embracing collaboration, research, innovation, incubation, production and teaching.

Watershed's responsive attitude to supporting creative individuals has delivered a flow of talent and successful innovation and has built a highly connected alumni group to help support and mentor the next wave of talent and ideas.

In 2012/13 the PM Studio provided space and access to new technologies and technical expertise for 112 residents/hot deskers, and a wider community of 185 collaborators. The impact of this support is far reaching and PM Studio residents attributed £528,971 worth of business and funding to their presence in the studio in 2012/13 – an increase of 42% on the previous financial year. The Digital Cultures Research Centre (DCRC) directly attributed income of £2,340,784 to its presence in the PM Studio.

Publishing and Knowledge Sharing

Watershed's offer engages audiences in both the virtual and physical worlds. Watershed's unified web presence brings together the complete Watershed offer online and integrates it with the physical venue providing a multi platform exhibition, publishing and producing environment to deliver high quality audience experiences both in the venue and through the internet. The number of visits to Watershed sites totalled around 4 million in 2012/13 – an increase of 33% .

Watershed's **DS**hed site (<http://www.watershed.co.uk/dshed/Shed>) offers a showcase of creative work and innovation and provides a valuable education resource giving access to talks, artist's journals, discussions and reports on a wide range of topics around the creative media.

In the year **76 new entries** were added to DShed providing the public with an extensive resource for sharing knowledge.

Other activities designed to increase public awareness of the digital media and share knowledge include:

- **Lunchtime talks** – public talks hosted by the PM Studio aimed at increasing public awareness of the Studio's work. A total 39 talks were delivered in the year.
- **Public Events** – These include PM Studio residents' talks, workshops and skillswaps. A total of 47 such events took place in the year.

In addition, Sandbox participants are encouraged to knowledge share through labs, events, blogs and social media.

Watershed shares its knowledge both nationally and internationally with representatives from the organisation attending and presenting at a number of national and international festivals, events, conferences and committees. In all, representatives from Watershed presented at 40 national and 11 international events in the year and attended a further 18. Some examples are:

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- Bristol Voluntary Sector Conference (Bristol, UK) – presentation by Dick Penny
- Playable City – British Council TRANSFORM event (London, UK) – presentation by Vitoria Tilotson
- Encounters Film Festival launch event (London, UK) – presentation by Mark Cosgrove
- Shift Happens (York, UK) – presentation by Dick Penny
- Value of Culture - Creative Scotland Conference – presentation by Mark Cosgrove
- ENCATC annual conference focussing on networked culture (London, UK) – presentation by Dick Penny
- Assemble, Crafts Council Conference (London, UK) – presentation by Clare Reddington
- BBC Academy, Future Factual Summit (London, UK) – presentation by Matt Davenport
- ICO professional course teaching (London, UK) – presentation by Mark Cosgrove
- Engage 2012: Responding to Change – the 3rd national conference run by the National Co-ordinating Centre for Public engagement (Bristol, UK) – presentation by Dick Penny
- Playable City Ideas Lab (Recifé, Brazil) – presentation by Victoria Tillotson
- Cinema Ritrovato Festival - Europa Cinemas: Young Audience Seminar (Bologna, Italy) – workshop led by Madeleine Probst
- The National Conference of Community Cinemas (Sakurazaka Theatre, Okinawa, Japan) - presentation by Madeleine Probst
- Sónar Festival of Advanced Music and New Media Art (Barcelona, Spain) – Mark Cosgrove acted as adviser at Film and Music programme development meetings
- Guimarães: European Capital of Culture 2012 (Guimarães, Portugal) – presentations and workshop leadership by Clare Reddington and Dick Penny
- Europa Cinemas Annual Conference (Paris, France) – Presentations by Mark Cosgrove and Madeleine Probst

Engaging Young People

Working with young people to encourage and develop the audiences, artists and producers of the future is a key part of Watershed's work. Watershed's primary engagement is with young people in the Bristol City Region both in and out of the formal school education system, improving media literacy skills, nurturing talent and encouraging creativity. Overall, Watershed provided over 4,000 experiences for young people.

Key achievements in the year include:

- **Fresh Flix** – A cross art-form and film programme for children and young people.
- **Electric December** - Watershed's annual short film competition for talented young people, showcasing 24 short films from talented young film makers across Europe - one for each day of advent. The winning pieces were selected from over 70 entries from European countries including Bulgaria, Spain and Poland. Students from Fairfield High and Redland Green schools curated this year's calendar.
- **"RELAYS"** (Regional Education Legacy in Arts and Youth Sport) - 2012 saw the Olympic Games return to Britain for the first time since 1948 and the culmination of this regional Cultural Olympiad initiative supported by HERDA. Watershed is one of three venues that contributed cultural activity to the RELAYS programme, presenting a month long celebration of the Olympics reflecting on sport and culture.

'RELAYS' provided a substantive opportunity for Watershed to work in partnership with new organisations, and engage new audiences. It also developed innovative ways to help young people to develop their media literacy, communication and technical media skills through **"Citizen's Journalism"**. Students from Fairfield High School and City of Bristol College received mentoring from David Goldblatt to become "citizen journalists" reporting on sporting and cultural events using smartphones. This included the 2012 Olympic Open Weekend in Weymouth - the home of the Olympic and Paralympics' sailing.

Other activities promoting media literacy in young people include:

- **Schools Partnerships** – Throughout the year Watershed continued to work with Fairfield High School to explore how the film/media sectors can support schools to develop media literacy in the curriculum. In addition Watershed provided a programme of school screenings and events to foster dialogue, develop critical appreciation and support curriculum studies.

Report of the Council of Management (*continued*)

- **Cinema for younger audiences (under 12 yrs)** – Watershed programmed a series of film events and screenings to engage Watershed’s youngest audiences through:
 - **Creative Cinema Summer School** - A week of circus themed workshops at Watershed aimed at children aged 6-12 culminating in participants performing at the Big Top@Creative Common for a special ‘immersive’ screening of A Bug’s Life.
 - **Cinékids** - the cinékids programme offers children from 6 – 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. A total of 12 screenings/events took place in the year.

Partners and Profile

Much of Watershed’s work is delivered in partnership with other organisations and individuals. Taking a collaborative approach and building relationships with a wide range of creative and socially engaged organisations is key to Watershed’s success.

Some of the organisations Watershed has worked with/received support from to deliver its cultural programme in the year include:

Aardman Animations	Fairfield High School
African Voices	Festival of Ideas
Afrika Eye	Film Club
Arts and Humanities Research Council	Film Education Creatives
Arts Council England	Filmhouse
Asian Arts Agency	Films At 59
BAFTA	First Born Creatives
BBC	Grundtvig
BEAM	Guimarães – European Capital of Culture 2012
British Film Institute (BFI)	HP Labs
Big Top@Creative Common	IMDB
Bristol Old Vic Theatre School	Knowle West Media Centre
BDH	London 2012 Partnership
Bristol’s Big Green Week	National Film and Television School
Bristol City Council	PAN Studios
Bristol Feminist Network	Picture This
Bristol Hospital Education Service	St George’s, Bristol
Bristol Old Vic	See No Evil
British Council	Sheffield Documentary Festival
British Museum	Showroom Workstation
Bristol Palestine Film Festival	Sift
Bristol Pride	Team Rubber
Broadway (Nottingham)	Terracotta Far East Film Festival
Bristol Silents	Thirty Three
Cardiff University	TLT Solicitors
Channel 4	Toshiba
City of Recife, Brazil	Travelling Light Company
Creative England	Ujima Radio
Creative Scotland	University of Bath
Crafts Council	University of Bristol (UoB)
Encounters International Film Festival	University of Exeter
Esmée Fairbairn Foundation	University of the West of England (UWE)
Europa Cinemas	104 Films

Report of the Council of Management (*continued*)

Watershed's reach extends far beyond its physical venue and its profile is rapidly growing both nationally and internationally. Particular relations we have focussed on in the year include Recife in Brazil and Guimarães – European Capital of Culture 2012, Portugal.

Communicating with the Public

Effective communication is essential if Watershed is to reach out to as wide a section of the community as possible and grow its audience. Initiatives used in the year to develop customer relationships include:

- **E-mail monitoring system** – this enables Watershed to monitor what its users are viewing, helping us to build a picture of which key messages our subscribers are responding to. We currently have over 20,000 active subscribers to our weekly e-letter (2012: 15,000) and can adapt and personalise content in response to the monitoring results.
- **Social Networking** - Watershed currently has 14,000 Twitter followers (2012: 10,500) and 3,500 Facebook “likes” (2012: 2,167). This creates a personal dialogue with the public promoting open discussion.
- **Loyalty Card Scheme** – the scheme was introduced 3 years ago to add value to the Watershed offer, increase public benefit and improve data capture rates. Currently there are over 5,000 Loyalty Card holders.

Understanding potential audiences and deepening audience relationships is key to audience growth and development. In the coming year Watershed will work with Ann Millman Associates to improve and develop data capture and user research and review communications strategies in light of changing technologies.

Monitoring and Evaluation

Watershed undertakes regular assessment of all its activities to ensure that standards remain exemplary across all areas of activity. Performance against objectives is monitored closely and customer feedback taken on board.

In the year Watershed developed a new comprehensive monitoring system to capture and report on the organisation's full range of activities. This new interactive system enables Watershed to ensure that it is meeting its targets by measuring performance against organisation-wide key performance indicators, established at the beginning of the year.

Watershed aims to provide all users, from artists and on-line users to cinema goers and visitors to the café/bar, with a positive and valued experience. Customers are encouraged to share their experiences through social networking sites such as Facebook and Twitter, via e-mail and through customer feedback forms distributed throughout the building. Watershed's Communications team monitor all feedback and take action as appropriate to maintain high standards.

One-off projects are planned with an established time frame and objectives set at the beginning of the project. Specific milestones are set and progress against these is reviewed throughout the project. On completion, the project is evaluated against the overall objectives established at the outset. Watershed shares evaluation and learning from its projects by publishing key evaluation reports on-line.

To keep Watershed informed of its market position, customers/users and public perception, extensive market research is undertaken every five years. 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. Market research commenced in March 2013 and will continue in the coming year. This will inform our strategic planning and long term vision for the organisation.

Report of the Council of Management (*continued*)

E&W sheds

In the year, Watershed continued to pursue its aim of developing E & W sheds as a high quality cultural destination and creative industries hub. However, progress continues to be affected by the down-turn in the property market and following the failure of the negotiations with a prospective tenant for Watershed's vacant unit 5-8, this large rental unit remained vacant throughout the year.

This has not only added a financial burden onto Watershed but has created a dead space along the Harbourside which does little to enhance perception of the area. However, during 2012/13 Watershed received interest from the operator of an independent family friendly restaurant for half of the available space and a lease was completed in the new financial year. This will enhance the area and create a more vibrant frontage along the walkway.

Watershed's 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.

Financial review

The consolidated results set out on pages 20 to 22 show a deficit of £233,641 (2012: deficit of £150,142) for the year. The deficit on unrestricted funds for the year totalled £130,445 (2012: surplus of £5,908,072). Further details are set out in notes 19 and 20. The large surplus on unrestricted funds in 2012 was due to the balance of the Headlease purchased with a capital grant from SWRDA in 2007 becoming unrestricted following the termination of SWRDA's legal charge on the Headlease.

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 £4,292 (2012: £2,028) and made donations of £117,932 (2012: £100,680) through gift aid to the Charity. The two main sources of income generation for the Trading company are:

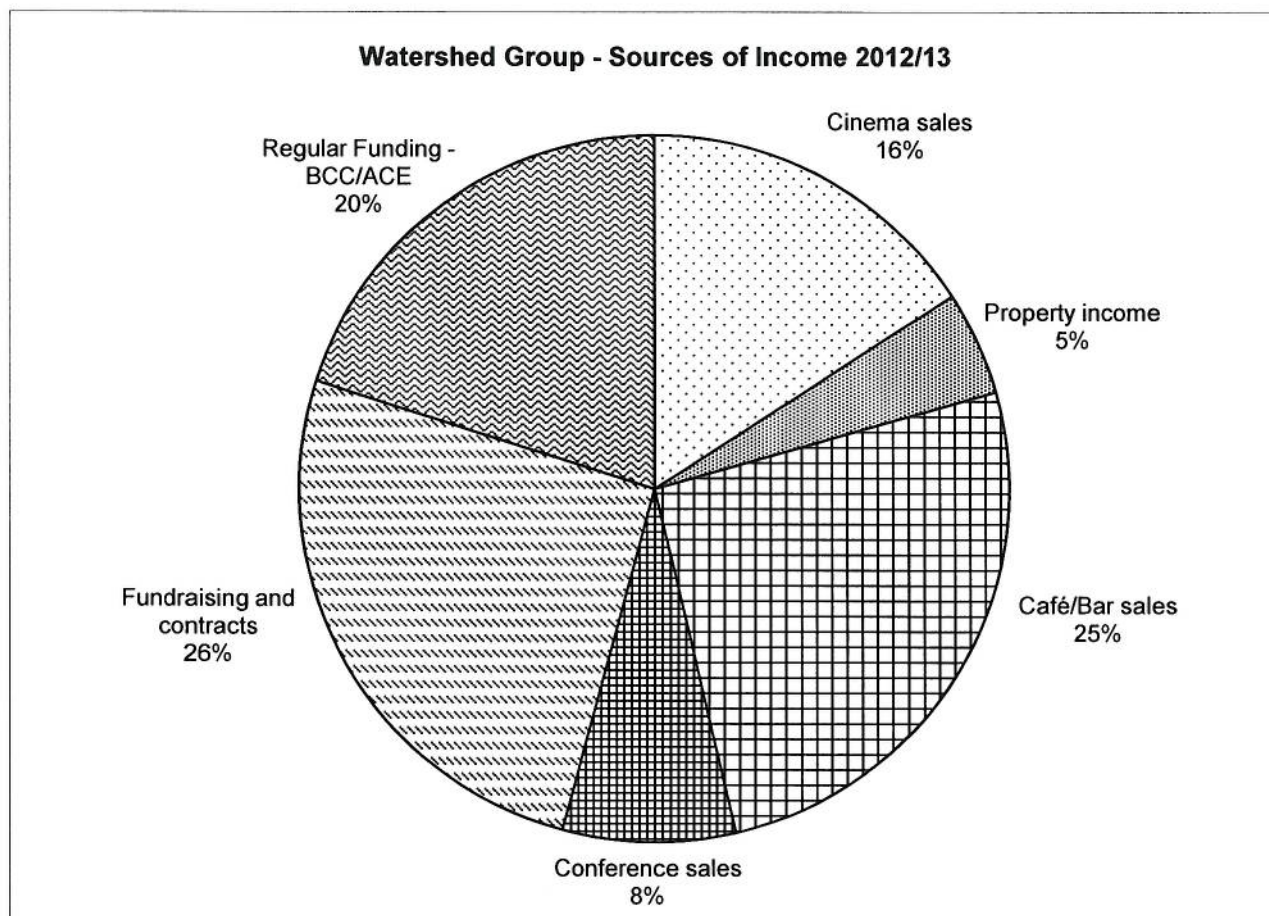
- Café/bar food and liquor sales totalled £1,078,118 (2012: £1,096,543). Sales overall show a decrease on sales in the previous year attributable to an 8.5% drop in liquor sales, partially negated by a 3.5% increase in food sales. Through stringent control processes, careful product selection and a flexible menu design sales margins were maintained in the year despite significant increases in the cost of raw materials.
- Conference sales totalled £347,793 (2012: £348,950). Whilst sales are in line with the previous year, trading levels are still below those achieved pre recession. A review of conference offer and plans to move it forward will be developed in the coming year.

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

iShed CIC generated profits before tax of £3,185 (2012: £1,778) and total revenue of £327,709 (2012: £197,240).

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

Report of the Council of Management (*continued*)



Watershed's income portfolio is complex and, with 55% of group turnover coming from earned income sources from cinema ticket sales (Arts Trust), head lease tenancies (Arts Trust) and Trading company sales, Watershed's financial model, whilst resilient, is sensitive to market changes and the general economic climate.

Cinema ticket sales in the year totalled £559,348 (2012: £610,012).

The drop in sales is primarily due to programming decisions made in order to maintain Watershed's stance to provide a quality cultural cinema programme that is not widely available elsewhere.

Watershed continued to incur reduced rental income and additional costs from its head lease units in the year. Throughout 2012 negotiations continued with a prospective tenant for the vacant unit but finally collapsed late in the autumn, leaving the unit vacant for a third year. The total negative financial impact on Watershed of the vacant unit is in the region of £147,000 per annum. However, towards the end of the year, Watershed received interest from the operator of an independent family friendly restaurant for half of the available space and the unit will be divided and a lease completed in the new financial year. The lease provides for a 12 month rent-free period.

Watershed's financial out-turn was further affected by costs associated with the lease to Leadworks. Following the relocation of the Pervasive Media Studio into the Watershed building in October 2011, Watershed continued to hold the lease to the Studio's previous location at the Leadworks until its expiry at the end of December 2012. Despite considerable effort to secure new tenants for the premises until the expiry of the lease, Watershed succeeded in renting out only part of the space. This resulted in almost £45,000 of one-off costs in the year.

The vacant head lease unit and the unoccupied Leadworks space were the key areas contributing to the financial loss in the year.

Watershed continued to develop relationships with regular funders Arts Council England and Bristol City Council in the year. This is the first year of Watershed's new funding status with Arts Council England as a National Portfolio Organisation and the start of a new 3 year funding commitment from Bristol City Council. These commitments underpin Watershed's key areas of activity and enable the organisation to move forward with its Vision 2015 business plan and continue to invest in its cultural offer.

Report of the Council of Management (*continued*)

Watershed looks forward to close collaboration with both the Arts Council and Bristol City Council in the coming year and hopes to develop increasingly good relations with the BFI to underpin and expand the cultural cinema offer.

Watershed continues to be successful in raising support for individual one-off projects and securing contracts to deliver cultural services. In the year, income from fundraising and contracts was received from a wide range of partners. Principal funding sources include:

Arts Council England	Esmée Fairbairn Foundation
Bristol City Council	Grundtvig
British Film Institute (BFI)	Guimarães – European Capital of Culture 2012
Creative England	University of Bristol
Creative Scotland	University of the West of England
Crafts Council	

Watershed recognises the need to continually strengthen its financial model and improve self-sustainability and continues to develop income streams with a focus on national and international partnerships.

A particular focus in the year is Watershed's relationship with the British Council, UWE and UoB.

Watershed continues to develop its relationship with the British Council following the successful completion of research and development work for the British Council's "Playable City" programme in Recife, Brazil in the year. This forms part of the British Council's four year TRANSFORM programme connecting the UK and Brazil through the arts and Watershed expects to secure a contract to deliver the next phase of the programme in 2013/14.

Watershed's formal 5 year collaboration agreement with UWE and UoB, which commenced in 2011/12, not only supports the running costs of the PM Studio but has enabled Watershed to develop these relationships and increase collaborations in the higher education (HE) sector.

In the year Watershed successfully secured funding over 3 years from the ACE Catalyst scheme to support the development of new income streams. To this end Anne Millman Associates have been appointed to help develop Watershed's knowledge of its patrons and advise on the formulation of an individual giving proposition. With this additional support Watershed will build on and extend its relationship with the HE sector and industrial partners to develop new funding streams and increase capacity to extend the delivery of the PM Studio. A case for support will be completed in 2013/14 followed by the launch of a new venture philanthropy fund.

Financial monitoring

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

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

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

Reserves policy

The purpose of Watershed's reserve fund is:

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

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

Report of the Council of Management (*continued*)

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 2012/13 Watershed has £111,644 in unspent funds from this source.

This designated fund is for the purpose of:

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

In 2011/12 a new designated fund was established to ring fence the balance of the head lease purchased with a capital grant from SWRDA in 2007. These funds became unrestricted in 2011/12. Watershed has £5,839,328 held in this fund.

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

At the end of 2012/13 free reserves totalled £120,378.

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;
- a thriving destination where staff, customers and partners are inspired to engage with our offer and with each other.

Towards these objectives in 2013/14 Watershed will:

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

Report of the Council of Management (*continued*)

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.

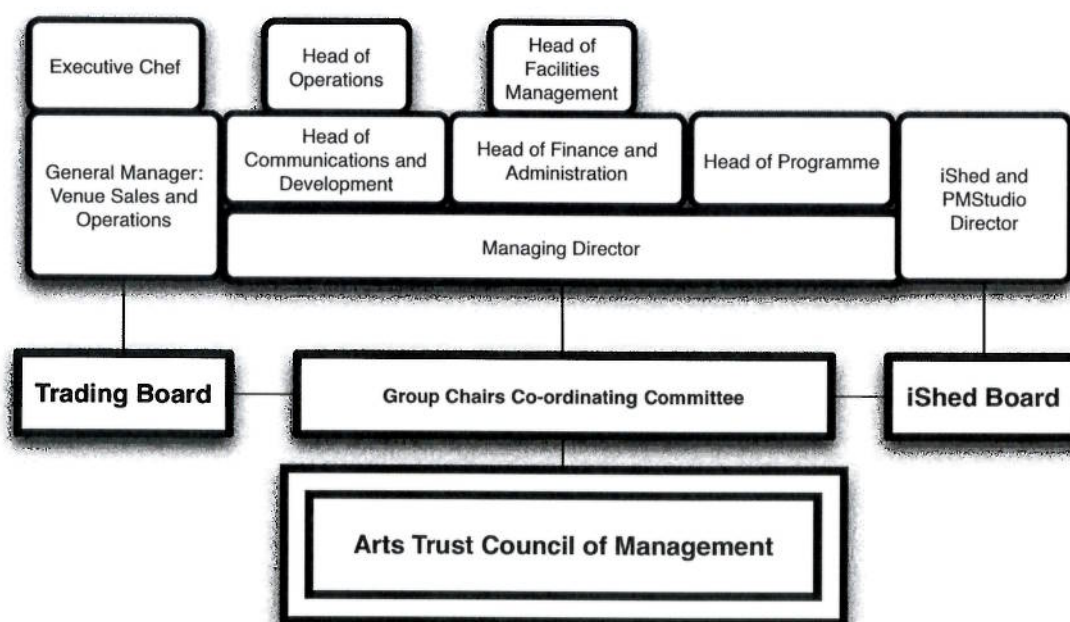
Watershed's governance structure is established to reflect and support the Group structure and our core values. It provides the management capacity and expertise to deliver our aims and objectives.

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.

Watershed's organisational structure is shown in the diagram below. During the year a new senior management post of General Manager: Venue Sales and Operations was appointed to take lead responsibility for visitor experience and income generation within the Watershed venue. Other management responsibilities and chains of line management were reviewed in light of this appointment and the proposed changes around the management of the head lease tenancies, the latter to be implemented in 2013/14.

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



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

Risk management

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

As indicated in the Business Plan, Watershed's risk management strategy involves maintaining:

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

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

Report of the Council of Management *(continued)*

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

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

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

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

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

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

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

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

Reference and administrative details

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

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

Elected Trustees

Dr. D. Price (Chair)

P. Appleby – appointed August 2012

L. Bilbe

D. Bunyan

Dr. J. Chakrabarti-Gallemore

A. Gilkison

C. Garcia

S. Luton

R. Saint – appointed April 2012

J. Touzel

S. Wilson

City Council nominees

Clr. Helen Holland

Clr. Mark Wright

Report of the Council of Management *(continued)*

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

Disclosure of information to auditors

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

Auditors

Watershed reviewed its audit services in the year and following an audit tender process, appointed Saffery Champness as auditors, under section 485 of the Companies Act 2006. A resolution proposing that they be reappointed will be put to a general meeting.

By order of the Board



D Price
Member of the Council of Management

1 Canon's Road
Bristol
BS1 5TX

Date 25 / 9 / 2013

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

We have audited the financial statements of the group and charity of Watershed Arts Trust Ltd for the year ended 31 March 2013 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, 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.

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 2013 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime

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

Saffery Champness
23rd October 2013

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

Consolidated statement of financial activities (including an income & expenditure account)
for the year ended 31 March 2013

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Total Funds 2013 £	Total Funds 2012 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	3	16,788	47,459	64,247	30,897
Activities for generating funds	5/6	1,456,406	-	1,456,406	1,476,901
<i>Investment income:</i>					
Interest receivable		1,290	-	1,290	312
		<u>1,474,484</u>	<u>47,459</u>	<u>1,521,943</u>	<u>1,508,110</u>
<i>Incoming resources from charitable activities</i>					
Earned income from cinema activities		591,717	-	591,717	640,487
Rental Income		132,443	-	132,443	157,789
Service charges		96,895	-	96,895	101,358
Other earned income		82,353	-	82,353	53,124
Project funds	3	-	769,437	769,437	827,089
Regular grant funding	3	990,000	-	990,000	419,081
		<u>1,893,408</u>	<u>769,437</u>	<u>2,662,845</u>	<u>2,198,928</u>
<i>Other incoming resources</i>					
Capital grants (building/construction/refurbishment)	3	-	-	-	-
Total incoming resources		<u>3,367,892</u>	<u>816,896</u>	<u>4,184,788</u>	<u>3,707,038</u>
Resources expended					
<i>Costs of generating funds</i>					
Costs of generating voluntary income	7	(8,186)	-	(8,186)	(9,355)
Commercial trading operations	5	(1,170,759)	-	(1,170,759)	(1,202,838)
		<u>(1,178,945)</u>	<u>-</u>	<u>(1,178,945)</u>	<u>(1,212,193)</u>
Operation of cinema and digital media projects	8	(1,934,431)	(816,896)	(2,751,327)	(2,259,832)
CIC operation	6	(323,782)	-	(323,782)	(204,611)
Property management costs		(120,643)	-	(120,643)	(124,046)
Governance costs	7	(43,732)	-	(43,732)	(56,498)
Total resources expended		<u>3,601,533</u>	<u>816,896</u>	<u>4,418,429</u>	<u>3,857,180</u>
Net outgoing resources before transfers and					
Net expenditure for the year		(233,641)	-	(233,641)	(150,142)
Transfers between funds	19	103,196	(103,196)	-	-
Net movement in funds		<u>(130,445)</u>	<u>(103,196)</u>	<u>(233,641)</u>	<u>(150,142)</u>
<i>Reconciliation of funds</i>					
Total funds brought forward		6,201,795	1,873,599	8,075,394	8,225,536
Total funds carried forward		<u>6,071,350</u>	<u>1,770,403</u>	<u>7,841,753</u>	<u>8,075,394</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 23 to 38 form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2013

	2013 £	2012 £
Net cash inflow from operating activities	188,833	12,584
Returns on investments and servicing of finance	1,290	312
Taxation paid	(1,999)	(3,535)
Capital expenditure and financial investment	(81,196)	(125,476)
Increase/(decrease) in cash	106,928	(116,115)
Cash at bank and in hand at beginning of year	425,454	541,569
Cash at bank and in hand at end of year	<u>532,382</u>	<u>425,454</u>

Reconciliation of operating profit to net cash flow from operating activities

	2013 £	2012 £
Net (outgoing)/incoming resources	£	£
Tax on ordinary activities	(233,641)	(150,142)
Interest receivable	2,023	1,727
Depreciation charges	(1,290)	(312)
Change in stocks	235,185	224,364
Change in debtors	(860)	151
Change in creditors	125,723	(22,266)
	61,693	(40,938)
Net cash inflow/(outflow) from operating activities	<u>188,833</u>	<u>12,584</u>

Reconciliation of net cash flow to movement of net funds

	2013 £	2012 £
Increase/(decrease) in cash in period	106,928	(116,115)
Change in net funds	106,928	(116,115)
Net funds at 1 April 2012	345,454	461,569
Net funds at 31 March 2013	<u>452,382</u>	<u>345,454</u>

Reconciliation of changes in net funds

	At 1 April 2012 £	Cash flows £	Non-cash movements £	At 31 March 2013 £
Net cash:				
Cash in hand and at the bank	425,454	106,928	-	532,382
Debt:				
Debt due within 1 year	-		-	-
Debt due after 1 year	(80,000)		-	(80,000)
	(80,000)		-	(80,000)
Net funds	<u>345,454</u>	<u>106,928</u>	<u>-</u>	<u>452,382</u>

The notes on pages 23 to 38 form part of these financial statements.

Consolidated and company balance sheets

at 31 March 2013

	Note	Group		Charity	
		2013 £	2012 £	2013 £	2012 £
Fixed assets					
Tangible assets	12	7,868,963	8,022,952	7,856,787	8,013,400
Investments	13	-	-	50,101	101
		<u>7,868,963</u>	<u>8,022,952</u>	<u>7,906,888</u>	<u>8,013,501</u>
Current assets					
Stocks	14	19,014	18,154	-	-
Debtors	15	234,597	360,320	240,089	336,579
Cash at bank and in hand		532,382	425,454	293,511	200,162
		<u>785,993</u>	<u>803,928</u>	<u>533,600</u>	<u>536,741</u>
Creditors: due within one year	16	(731,180)	(671,486)	(553,510)	(424,169)
Net current assets		<u>54,813</u>	<u>132,442</u>	<u>(19,910)</u>	<u>112,572</u>
Total assets less current liabilities		<u>7,923,776</u>	<u>8,155,394</u>	<u>7,886,978</u>	<u>8,126,073</u>
Creditors: due after more than one year	17	(80,000)	(80,000)	(80,000)	(80,000)
Provisions for liabilities and charges	18	(523)	-	-	-
Net assets		<u>7,841,753</u>	<u>8,075,394</u>	<u>7,806,978</u>	<u>8,046,073</u>
Unrestricted income funds - general	19	120,378	195,077	85,603	165,756
Bristol + unrestricted designated fund	19	111,644	111,644	111,644	111,644
Head lease unrestricted designated fund		5,839,328	5,895,074	5,839,328	5,895,074
Restricted capital funds	20	1,770,403	1,873,599	1,770,403	1,873,599
Total funds		<u>7,841,753</u>	<u>8,075,394</u>	<u>7,806,978</u>	<u>8,046,073</u>

These financial statements were approved by the Council of Management on 25/9/2013 and were signed on its behalf by:

D Price

Member of the Council of Management



The notes on pages 23 to 38 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

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 2013.

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

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

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

Grants

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

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

Income

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

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

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

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

Donated services and facilities

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

Notes (continued)

1 Accounting policies (continued)

Expenditure

All expenditure is accounted for on an accruals basis.

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

Expenditure is recognised when a liability is incurred:

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

Leases

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

Stocks

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

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 was established to hold the headlease of the properties funded by a capital grant from SWRDA (see note 19).

Subsidiaries

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

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

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

Furniture and fittings	10% - 20% per annum
Plant and equipment	10% - 33% per annum
Acquisition of lease	The company had a 25 year lease from 31 March 1990. Depreciation is provided on a straight line basis from 31 March 1990. In December 2002 Watershed purchased a new lease on the existing premises for the sum of £650,000 on the same terms as the existing lease excepting the term is for 99 years from 25 March 1982 and the rental is peppercorn. Depreciation is provided on a straight line basis over a 79 year period (the unexpired term of the lease).
Leasehold improvements	The Council of Management re-assessed the useful economic lives of leasehold improvements in 1992. All leasehold improvements are depreciated over 25 years on a straight line basis. In December 2002 Watershed commenced a programme of capital development which created new administration and event spaces, a third cinema screen, refurbished the existing two screens, created an extension to the café/bar area and provided a fully accessible lift. The programme was completed in March 2006. In March 2009 Watershed constructed a balcony extension to the café/bar area. In August 2011 Watershed refurbished its events spaces. It is considered likely that further refurbishment work will be required in 10 years time and consequently the costs of this work are being depreciated over a 10 year period.
Acquisition of the Head lease to E and W sheds	In March 2007 Watershed purchased the headlease to E & W sheds for its unexpired term of 111 $\frac{3}{4}$ years. The final price paid was £5.95 million. Depreciation is provided on a straight line basis over a 111 $\frac{3}{4}$ year period (the unexpired term of the lease).

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

Foreign Currency Policy

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

2 Legal status of the charity

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each is liable to contribute a maximum of £1. As at 31 March 2013 there were 14 members.

Notes (continued)

3 Grant and project income receivable

	Deferred as at 1 April 2012 £	Cash received & receivable 12/13 £	Credited to income & expenditure 12/13 £	Transferred to capital grants 12/13 £	Deferred as at 31 March 2013 £
Incoming resources from generated funds					
Grants and sponsorship:					
Restricted					
Arts Council England - Catalyst	-	80,000	47,459	-	32,541
Unrestricted					
Other grants – Europa Cinemas	-	16,788	16,788	-	-
Total grants and sponsorship	<u>-</u>	<u>96,788</u>	<u>64,247</u>	<u>-</u>	<u>32,541</u>
Incoming resources from charitable activities					
Unrestricted					
Core grant funding					
Arts Council South West	-	740,000	740,000	-	-
Bristol City Council	-	350,000	250,000	-	100,000
Total Core grant funding	<u>-</u>	<u>1,090,000</u>	<u>990,000</u>	<u>-</u>	<u>100,000</u>
Restricted					
Project funding - grants					
Arts Council England	-	159,837	159,837	-	-
Creative England	-	108,250	108,250	-	-
British Film Institute	-	13,646	11,797	-	1,849
University of Gloucester	3,798	33,569	37,367	-	-
European Funding	312	22,788	11,103	-	11,997
Other grants	26,000	119,062	129,488	-	15,574
Project funding - other					
Bristol City Council	54,117	58,000	93,360	-	18,757
AHRC (via REACT Hub universities)	12,840	111,901	124,741	-	-
European Funds	8,578	80,781	89,359	-	-
Other Project Funds	-	32,135	4,135	-	28,000
Total Project Funds	<u>105,645</u>	<u>739,969</u>	<u>769,437</u>	<u>-</u>	<u>76,177</u>
Total	<u>105,645</u>	<u>1,926,757</u>	<u>1,823,684</u>	<u>-</u>	<u>208,718</u>

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 2013 for the charity was £2,702,859 (2012: £2,347,070). The overall net incoming resources for the year was a deficit of £239,095 (2012: deficit of £152,221), with a deficit of £135,899 (2012: surplus of £10,919) on unrestricted reserves.

Notes (continued)

5 Trading subsidiary's results (Watershed Trading Ltd)

	2013 Total £	2012 Total £
Turnover	1,472,341	1,484,411
Cost of sales	(1,036,867)	(1,061,110)
Gross profit	435,474	423,301
Administration and other costs	(133,369)	(140,705)
Trading profit	302,105	282,596
Other income	113	106
Net income	302,218	282,702
Gift aid payment to Watershed Arts Trust Limited	(117,932)	(100,680)
Management charge from Watershed Arts Trust Limited	(179,994)	(179,994)
Tax on profit on ordinary activities	(523)	(1,023)
Retained profit for the year	3,769	1,005
Retained profit brought forward	25,616	24,611
Retained profit carried forward	29,385	25,616

The assets and liabilities of the subsidiary were:

	2013 Total £	2012 Total £
Fixed assets	12,176	9,552
Current assets	294,333	284,289
Creditors: amounts falling due within one year	(276,501)	(268,125)
Provisions for liabilities and charges	(523)	-
Net assets	29,485	25,716
Equity shareholders' funds	29,485	25,716

Notes (continued)

6 Trading subsidiary's results (iShed CIC)

	2013 Total £	2012 Total £
Turnover		
Cost of sales	327,709 (176,094)	197,240 (70,051)
Gross profit	<u>151,615</u>	<u>127,189</u>
Administration and other costs	(146,536)	(134,256)
Other operating income	-	8,826
Trading profit	<u>5,079</u>	<u>1,759</u>
Other income	13	19
Net income	<u>5,092</u>	<u>1,778</u>
Gift aid payment to Watershed Arts Trust Limited	-	-
Management charge from Watershed Arts Trust Limited	(1,907)	-
Tax on profit on ordinary activities	(1,500)	(704)
Retained profit for the year	<u>1,685</u>	<u>1,074</u>
Retained profit brought forward	3,705	2,631
Retained profit carried forward	<u><u>5,390</u></u>	<u><u>3,705</u></u>

The assets and liabilities of the subsidiary were:

	2013 Total £	2012 Total £
Current assets		
Creditors: amounts falling due within one year	85,476 (30,085)	81,225 (77,519)
Net assets	<u>55,391</u>	<u>3,706</u>
Equity shareholders' funds	<u><u>55,391</u></u>	<u><u>3,706</u></u>

Notes (continued)

7 Allocation of support costs

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

	Charitable activities	Allocated to costs of generating voluntary income	Governance	Total
	£	£	£	£
Support cost				
General office	59,915	2,527	9,542	71,984
Finance office	121,097	5,659	25,876	152,632
External audit	-	-	8,314	8,314
Professional services	4,098	-	-	4,098
ICT costs	28,335	-	-	28,335
	<u>213,445</u>	<u>8,186</u>	<u>43,732</u>	<u>265,363</u>

8 Analysis of charitable expenditure

	Audience Participation Programme	Cross art-form production	2013 Total	2012 Total
	£	£	£	£
Film hire costs	202,611	-	202,611	232,803
Front of house/projection costs	384,856	-	384,856	355,396
Direct programme/project costs	280,727	626,357	907,084	490,270
Marketing and publicity	216,104	197,461	413,565	328,876
Premises costs	179,594	222,277	401,871	407,748
Support costs	111,533	101,912	213,445	226,689
Depreciation	154,143	73,752	227,895	218,050
	<u>1,529,568</u>	<u>1,221,759</u>	<u>2,751,327</u>	<u>2,259,832</u>

Notes (continued)

9 Staff numbers and costs

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

	Number of employees	
	2013	2012
Cinema and exhibition	35	35
Administration	12	12
Catering	13	13
Bar	13	13
Conference	4	4
	<hr/>	<hr/>
	77	77
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£	£
Directors emoluments	42,282	47,064
Wages and salaries	1,770,153	1,621,839
Social security costs	149,282	141,216
	<hr/>	<hr/>
	1,961,717	1,810,119
	<hr/>	<hr/>

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

The emoluments of one employee, including benefits in kind, are within the range of £60,000 to £100,000 (2012 – there was only one employee whose emoluments exceeded £60,000).

Notes (continued)

10 Net movement on funds is stated after charging

	2013 £	2012 £
Auditors' remuneration – audit (Charity: £8,314)	21,827	22,654
Depreciation and other amounts written off tangible fixed assets	235,185	224,364
Hire of plant and machinery	4,321	4,756
	<hr/>	<hr/>

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.

	2013 £	2012 £
Current tax:		
UK corporation tax on results of the year	1,500	1,999
Deferred tax (see note 18)		
Origination/reversal of timing differences	523	(272)
	<hr/>	<hr/>
Tax on profit on ordinary activities	2,023	1,727
	<hr/>	<hr/>

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%), (2012: 20%). The differences are explained below:

	2013 £	2012 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	7,478	3,806
	<hr/>	<hr/>
Current tax at 20% - Watershed Trading Ltd 20% - iShed CIC 20% (2012: 20%)	1,496	762
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	(944)	679
Other timing differences		-
Expenses not deductible for tax purposes	948	558
	<hr/>	<hr/>
Total current tax charge (see above)	1,500	1,999
	<hr/>	<hr/>

Notes (continued)

12 Tangible Fixed Assets

Group	Headlease £	Leasehold Improvements £	Plant, Equipment Furniture, Fittings £	Total £
<i>Cost</i>				
At beginning of year	6,214,399	3,038,489	808,326	10,061,214
Additions	-	-	81,196	81,196
At end of year	6,214,399	3,038,489	889,522	10,142,410
<i>Depreciation</i>				
At beginning of year	319,326	1,052,022	666,914	2,038,262
Charge for year	55,745	100,842	78,598	235,185
At end of year	375,071	1,152,864	745,512	2,273,447
<i>Net book value</i>				
At 31 March 2013	5,839,328	1,885,625	144,010	7,868,963
At 31 March 2012	5,895,073	1,986,467	141,412	8,022,952

Notes (continued)

12 Tangible fixed assets (continued)

	Headlease	Leasehold improvements	Furniture and equipment	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,038,489	726,970	9,979,858
Additions	-	-	71,282	71,282
At end of year	6,214,399	3,038,489	798,252	10,051,140
<i>Depreciation</i>				
At beginning of year	319,326	1,052,022	595,110	1,966,458
Charge for year	55,745	100,842	71,308	227,895
At end of year	375,071	1,152,864	666,418	2,194,353
<i>Net book value</i>				
At 31 March 2013	5,839,328	1,885,625	131,834	7,856,787
At 31 March 2012	5,895,073	1,986,467	131,860	8,013,400

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

13 Fixed asset investment

Shares

	Charity 2013 £	Charity 2013 £
At the beginning of the year	101	101
Additions in the year	50,000	
At the end of the year	50,101	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. An additional £50,000 of shares in iShed CIC were issued in the year.

14 Stocks

	Group 2013 £	2012 £	Charity 2013 £	2012 £
Finished goods and goods for resale	19,014	18,154	-	-

Notes (continued)

15 Debtors

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	103,279	213,777	56,475	97,478
Prepayments and accrued income	107,010	141,315	51,257	136,286
Other debtors including taxation and social security	24,308	5,228	24,272	4,498
Amounts owed by group undertakings	-	-	108,085	98,317
	<u>234,597</u>	<u>360,320</u>	<u>240,089</u>	<u>336,579</u>

All debtors are recoverable within one year.

16 Creditors: amounts falling due within one year

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	196,411	269,215	136,262	204,091
Other creditors including taxation and social security	155,402	159,934	57,902	66,564
Accruals and deferred income	379,367	242,337	340,015	153,514
Amounts owed to group undertakings	-	-	19,331	-
	<u>731,180</u>	<u>671,486</u>	<u>553,510</u>	<u>424,169</u>

Other creditors includes £121,931 (2012: £64,422) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £93,615 and deferred income comprising £2,848 of advance sales, £22,482 of conference deposits, £51,704 of rental income received in advance and £208,718 of grant and project income (note 3).

17 Creditors: amounts falling due after more than one year

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Other loans	(80,000)	(80,000)	(80,000)	(80,000)
Analysis of loans				
Wholly repayable within 5 years	(80,000)	(80,000)	(80,000)	(80,000)

The creditor is an interest free loan from Bristol City Council to improve cash flow during a period of development. The loan is repayable on agreement between Watershed and Bristol City Council once Watershed is receiving an income stream from the rental of unit 5-8 of its head lease tenancies. At the end of 2012/13 Watershed was in negotiation with a prospective tenant for rental of half the unit.

Notes (continued)

18 Provisions and liabilities

Group	Deferred Tax £
At beginning of year	-
Release in the year (note 11)	523
At end of year	-

The elements of deferred taxation are as follows:

	2013 £	2012 £
Difference between accumulated depreciation and capital allowances	523	-

The charity has no deferred taxation liabilities.

19 Unrestricted income funds

	Group £	Charity £
At beginning of year	6,201,795	6,172,474
Movement in year before transfers	(233,641)	(357,027)
Transfer from restricted funds (note 20)	103,196	103,196
At end of year	6,071,350	5,918,643

	At beginning of year £	Incoming Resources £	Expenditure £	Transfers £	Re- classification from restricted funds £	Balance at 31 March 2013 £
Unrestricted Income Funds						
General fund	195,077	4,184,788	(4,418,429)	158,942	-	120,378
<i>Designated Funds</i>						
Bristol+ contingency fund	111,644	-	-	-	-	111,644
Capital Grants Fund	5,895,074	-	-	(55,746)	-	5,839,328
	<u>6,201,795</u>	<u>4,184,788</u>	<u>(4,418,429)</u>	<u>103,196</u>	<u>-</u>	<u>6,071,350</u>

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

Notes (continued)

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

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

In 2011/12 the sum of £5,925,688 was reclassified as unrestricted funds. This represents the headlease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the headlease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust. Therefore, it does not form part of the freely available reserves of the Trust. In 2012/13 the sum of £55,746 was transferred from this fund to undesignated income funds to match the depreciation on the asset the grant originally funded.

20 Restricted funds: Group and Charity

	At beginning of year	Incoming Resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing Resources	At end of year
	£	£	£	£	£	£
Capital grants						
Leasehold premium reserve	29,652	-	(9,885)	-	-	19,767
Deferred capital grant	34,580	-	(1,600)	-	-	32,980
Deferred capital refurbishment grants	1,111,432	-	(67,426)	-	-	1,044,006
Lottery lease purchase grant	601,127	-	(8,712)	-	-	592,415
SWRDA lease purchase grant	-	-	-	-	-	-
ACE GforA capital grant	58,488	-	(2,800)	-	-	55,688
BFI equipment grant	38,320	-	(12,773)	-	-	25,547
	<u>1,873,599</u>	<u>-</u>	<u>(103,196)</u>	<u>-</u>	<u>-</u>	<u>1,770,403</u>
Voluntary income						
Grants and Sponsorship	-	64,247	-	-	(64,247)	-
Donated services	-	-	-	-	-	-
Incoming resources from charitable activities						
Project funding – grants	-	457,842	-	-	(457,842)	-
Project funding – other	-	311,595	-	-	(311,595)	-
Core Grant funding	-	990,000	-	-	(990,000)	-
	<u>-</u>	<u>1,823,684</u>	<u>-</u>	<u>-</u>	<u>(1,823,684)</u>	<u>-</u>
	<u>1,873,599</u>	<u>1,823,684</u>	<u>(103,196)</u>	<u>-</u>	<u>(1,823,684)</u>	<u>1,770,403</u>

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

Notes (continued)

20 Restricted funds: Group and Charity (continued)

Leasehold premium reserve

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

Deferred capital grant

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

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

Other capital grants

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

Voluntary income and project funding from charitable activities

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

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

21 Analysis of fund balances - group

	Unrestricted funds £	Restricted funds £	2013 Total £	2012 Total £
Fixed assets	6,098,560	1,770,403	7,868,963	8,022,952
Net current assets	53,313	-	53,313	132,442
Long term liabilities	(80,000)	-	(80,000)	(80,000)
Provisions for liabilities and charges	(523)	-	(523)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,071,350	1,770,403	7,841,753	8,075,394
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

22 Operating leases

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

	2013 Group and Charity plant and equipment £	2012 Group and Charity plant and equipment £
Expiring within:		
Less than 1 year	-	-
Two to five years	-	4,046
Greater than five years	18,915	1,119
	<hr/> 18,915 <hr/>	<hr/> 5,165 <hr/>

23 Related Party Transactions

During the year, payments totalling £4,277 were paid to the Community Farm and £23 to the Better Food Company in respect of food purchases for Watershed Trading's café/bar operation (2012: £1,033 of payments and a £1,000 donation both to the Community Farm). Phil Haughton is a director of Watershed Trading Ltd and the Community Farm.

During the year legal fees of £5,946 (2012: £5,770) 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.

24 Post Balance Sheet Events

On 14 June Watershed completed a lease to The Stable Ltd for rental of 4,035 square feet of its vacant head lease unit 5-8.