

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

Report of the Board and consolidated  
financial statements

Registered company number 01608779

Registered charity number 284188

Year ended 31 March 2019

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## Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2019. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

### Summary

In an organisation that rarely sits still, 2018/2019 saw a period of significant development for Watershed – as we continued to explore deeper, broader and more inclusive ways to deliver cultural engagement.

Watershed’s impact is not characterised in a single programme or project, but in our ethos of openness, and responsibility. These attributes are shared across our whole organisation and lead to engaged audiences, flourishing talent and a competitive creative sector.

This period is characterised by the delivery of large structural programmes like Film Hub, SW Creative Technology Network and Creative Producers International which find a home in Watershed but deliver and resonate across the South West and the World.

Alongside, the depth of our relationship with audiences and customers continued to grow, as evidenced by the flourishing cinema and events programme.

### Objectives and Activities

Watershed Arts Trust Limited was incorporated in 1982. The charity is established to advance education, skills and appreciation of the arts - primarily working in cultural cinema and creative technology.

Watershed’s mission is to develop cultural engagement, imagination and talent. Watershed is recognised for its internationally distinctive programme of invention and talent development; as a leading centre for film culture and as Bristol’s city centre cultural meeting and debating place of choice.

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

### Achievements and performance

- 1.51 million people visited us on the web
- 157,000 people bought tickets for our venue screenings and events
- 29,913 young people engaged with our programme
- 7,791 people engaged with projects beyond the venue
- 165 artists and creatives are resident in the Pervasive Media Studio
- 101 full time equivalent jobs at Watershed
- 3 continents hosted Watershed events or collaborations
- Watershed Group turnover in 2018/19 is £6,241,220
- Pervasive Media Studio residents reported turnover in excess of £9.3 million
- Pervasive Media Studio residents reported secured research funding in excess of £7 million

### Programme Highlights and Report on 2018/19 Priorities

Across the organisation our business grew – particularly in cinema where the energy put into reaching new audiences generated unprecedented levels of activity. However, our work is not confined to our physical footprint, and this year we also reached over 7,791 people outside of the Watershed building:

## Strategic report *(continued)*

*'Beyond Boundaries' has allowed me to run "Getting Together Through Films", which has brought a diverse audience to Town Hall Arts. The project has raised awareness of the real life experiences that people face in other cultures, made possible through independent films, including documentaries, world cinema and archived productions".* Film Hub supported project in Trowbridge.

This open ethos is particularly present within our work around inclusion: from the horizontal screenings to Deaf Conversations about Cinema.

*"Watershed are setting a precedent. saying everyone should be able to see a film.. they are saying they will put time and resources into making you as comfortable as possible, they are saying you belong here as much as anyone else"* Raquel Messeguer.

In this period, we worked closely with Unlimited, focusing resource on supporting Deaf and disabled artists to access Pervasive Media Studio, and other events like Unlimited Connects, a day-long celebration for Unlimited's artists, alumni and allies in the sector.

*"Great day - possibly the best Unlimited event I've been to - and I've been to a lot!"* Unlimited Connects Attender

*"The strength of the studio's accessibility is that it is not obtrusive, it is almost invisible. Yet it is so responsive. It is a space that allows me to be me as much as possible. It is a place where I feel I have been able to be an artist and whether I identify as disabled or not has largely been irrelevant although not unimportant."* Aidan Moesby

With so much uncertainty in the world, a key focus is the continued championing and support of young people's voices – especially those from backgrounds under-represented in the media. Rife Magazine continues to go from strength to strength:

*"Rife isn't just a job, it's a community brimming with opportunity and positivity"* Mikael Techane, Rife Alumni

In 2018/19 over 200 individual young people created content for the magazine and over 800 took part in partnership projects.

## Talent and Networks

Watershed is committed to delivering a high quality, inclusive public programme across art, technology and moving image.

The cultural film programme engages and opens up fresh perspectives on our world, cultures and identities. In this period we continued to perform well nationally, and were the top regional site for a range of films including BlackKlansman. Our flagship festival Cinema Rediscovered attracted over 5,105 admissions, with 40% of films by women filmmakers and 24% by Black and Minority Ethnic filmmakers.

In the first year of the newly formulated Film Hub South West, Watershed supported members' audience facing activity across the region, achieving total admissions of over 69,000 through open calls, strategic investments and the Cinema Incentive Scheme. Audience demographics show an impressive 28% young audience. In addition, the network welcomed 60 new members.

Watershed's Art and Technology programme supports an emergent community of practice who are creating content, tools and experiences for the first time. Based primarily in Watershed's Pervasive Media Studio, our producing team scans the ever-changing horizon for new opportunities, responding to emerging technologies, societal challenges and new partnerships.

Watershed redesigned its funded Artist Residency programme to ensure a more inclusive application process and a more responsive development period.

*"We felt very cared for during our residency... it has genuinely opened up a bunch of new possibilities that will be felt in our practice for many years."* Action Hero

The Winter Residencies featured sound artist Magz Hall, performer Victoria Melody on comedy and ADHD, and theatre maker Javaad Alipoor on play and radicalisation. We also supported development residencies for Deaf artist Jonny Cotson, Aidan Moesby's Unlimited project and BAME illustrator, Rife Alumni Jasmine Thompson.

Rife, our online platform, continues to reach young people across the city. Over 220 young people have created content for the magazine covering everything from, "Life Lesson's My Crack Head Dad Taught Me" to "There is No Such Thing as Gangs. Just People" and the platform gets on average 35,000 hits per month.

## Strategic report *(continued)*

Rife content has been picked up by media outlets including BBC, Bristol 24/7 and Galdem and won awards at BFI Future Film Festival and Into Film. 70% of our paid young content creators roles are from a BAME background and 60% of our roles were filled by non-graduates.

*“A stark contrast to your usual newsroom” – Sammy Jones, Rife Editor.*

### **18/19 Priority: Further integrate talent development offer to create links and efficiencies across engagement, Studio residencies and inclusion.**

In this period, Watershed established new cross-cutting teams around Research, Talent Development and Community to join up the Creative Technology programme with engagement and inclusion, and to enable agency and responsibility for funding and programme development outside of the Executive Team.

## Audiences

Audiences are at the heart of everything we do. We judge our success on the quality and quantity of our engagement with people. It is this engagement, care, authenticity and attention to detail that is absolutely central to Watershed, and totally embedded in all our areas of work:

Our pricing review continues to ensure we are accessible and affordable whilst ensuring sustainable income generation. The largest piece of benchmarking work is done in January each year, and demonstrates that we remain competitive within the market place and that awareness of our ‘24 and under’ pricing has never been higher.

We built on our long-term commitment to engaging new and existing audiences in a deeper conversation about film and film culture through an expanded programme of events, editorial and targeted marketing campaigns. Major strands included Conversations About Cinema, Filmic, Cinema Rediscovered and our work promoting key new releases. This resulted in audiences of 153,614 for our cinema programme.

### **18/19 Priority: Develop a new communications and brand strategy to position Watershed for the next phase of development.**

Working across the organisation, the Head of Data and Operations has completed a full scoping review of all of our existing business systems to inform our next steps for developing our data management and sales systems and better understand our customer data. As part of this scoping and benchmarking we commissioned independent consultant Jonathan Harper to work with us to explore our brand, communications and new ways of working.

*“Watershed is successful and this success reflects well on the work of the communications team. Watershed curates an artistic programme that is both contemporary and also pushes at the fringes of what art is in modern society. It is no easy feat to attract over 400,000 visitors each year, consistently hit annual cinema visitor targets of c.170,000 and deliver audiences to new multi-disciplinary artistic commissions. Communicating this work effectively requires passion, expertise and a high level of care in nurturing artists that produce new work and the audiences that will attend.” Jonathan Harper, Consultant*

Our next steps are to develop our systems in order to develop and profile our understanding of non-cinema audiences. This will form a core part of our evaluation strategy with activity planned for the latter half of this year. We will also use the communications review to inform the development of our new brand and communications strategy.

### **18/19 Priority: Continue to develop dialogue around new work, reaching new audiences in our key areas of 24 and under, people of colour and Deaf community.**

We undertake three demographic profiling surveys every year, the next survey is planned for June 2019. Our aim is to ensure that our audiences represent the population of Bristol and so we benchmark against Bristol City Council census data. Currently the percentage of audiences from a BAME background is 13% (1% up on last year but 3% below this target).

A December highlight was “Sorry to Bother You”, an audience priority for BAME and young audiences. We created a comprehensive campaign that included outdoor advertising, bespoke social media content, a radio partnership and a major online advertising campaign. For the opening weekend we were the best performing cinema in the UK, attracting a higher than average percentage of 24 and under bookers (24.1%) and 18% new bookers.

## Strategic report *(continued)*

### People and culture

Watershed has well established values, authored through cross departmental workshops, owned and meaningfully applied by its staff:

- Inclusive: We are people led. We listen to and engage with the broadest range of people.
- Open and Honest: We provide a culture and environment that is trusting, trusted and trustworthy.
- Make Things Happen: We approach opportunity and challenge creatively, collaboratively and with a can-do attitude.
- Entrepreneurial: We are inventive, try new ideas, experiment, learn and share.
- Celebratory: We celebrate culture, creativity and wonder.

During this year, 53 people joined Watershed and 50 left the workforce (within a normal range for the hospitality and events part of Watershed's business). The ethnic diversity of our staff team reduced and as a result we have designed a new inclusive recruitment guide and will work with managers across all departments to ensure better representation across all levels of staff and management. This is a key focus going forward.

In the year, Watershed implemented an Employee Assistance Programme, providing a range of services to enable staff to cope with work and personal pressures.

#### **18/19 Priority: Embed new leadership approach to create an inclusive and responsible team**

In July 2018, Clare Reddington took over from Dick Penny as Watershed's CEO - a transition that was carefully planned and welcomed by funders and stakeholders across the UK. Clare has successfully established herself in the role and brings the right leadership skills for Watershed's ongoing development. Watershed continues to develop its leadership team with a new post of General Manager being created.

### International

During this period we invested in seven major new artist-led projects supported by the Creative Producers International Investment Fund in Dublin, Liverpool, London, Stratford-upon-Avon, Almaty, Lagos and Durban. Our Playable city programme began in Melbourne and Paris and we shared our expertise in cultural cinema in Rotterdam, Berlinale Talent Campus, Art House Convergence Conference, Utah, and Sofia International Festival.

#### **18/19 Priority: Deliver an international conference in Japan to build relationships and opportunities for Tokyo 2020.**

In September 2018, Watershed delivered the sold out Making the City Playable Conference in Tokyo, supported by the British Council, Arts Council Tokyo and JR East, and received extremely good feedback. Plans for developing an inclusive Playable City project for Tokyo 2020 are ongoing.

### Venue and brand

A focus on income generation and cost control from Watershed's commercial teams resulted in the Charity's Trading subsidiary, Watershed Trading Ltd, gift aiding profits of £166,609 to the Arts Trust. We continued to deliver significant events for the city including RAI (Royal Anthropological Institute) Festival, Encounters Festival, Bristech and Digital Gaggle and introduced Gin, Rum, Ale and Festive celebrations in the café/bar.

To meet the increasing demand for what we offer, we have shaped and shared our ambitious vision for physical expansion that will deliver improved environmental sustainability and financial security for years to come.

We finalised plans for the first phase of our capital development which includes a fourth cinema screen, a ground floor servery and gender-neutral top foyer toilets. Following the early surrender of one of our head lease units let to the City Council, we took back the space and transformed it into Studio 5, a shared workspace for the creative industries, featuring 30 desks, plus a workshop space.

## Strategic report *(continued)*

### **18/19 Priority: Confirm our Capital Plan to support creative and commercial growth.**

*"Hurrah!@wshed to get long-overdue expansion. The further I get from #Bristol, the more I appreciate this place and the influence it's had on me and my sense of being Bristolian."*

At the end of 2018, Watershed published a proposal for its phase 2 expansion and submitted a Pre-Application to Bristol City Council. We have consulted with conservation and planning groups and hosted three public events to gather feedback, talk about the plans and the reasons for bringing them forward at this time.

Watershed continues to balance the cultural programme with maximising earned revenues to ensure the organisation's sustainability and increase its creative growth.

### **Innovation**

During this time, Watershed announced leadership of two major innovation programmes for the region:

The South West Creative Technology Network aims to drive digital innovation in the South West. Supported by a £6.5M grant from Research England, and led by the University of the West of England (UWE), the three-year project is a partnership with Kaleider in Exeter and Bath Spa University, the University of Plymouth and Falmouth University.

Bristol & Bath Creative R&D is a multi-million pound investment from the Arts and Humanities Research Council's Creative Industries Clusters Programme, to support, connect and amplify the brilliant strengths of the region. The B+B Creative R&D programme combines the very best research from University of the West of England, University of Bristol, Bath Spa University and the University of Bath, with the reach and community of Watershed, and an abundance of companies working across design, broadcast, performance, technology, publishing and more.

### **18/19 Priority: Build South West Creative Technology Network to strengthen cluster and increase opportunity.**

In October 2018 we announced 27 new Fellows joining the South West Creative Technology Network to research immersion. Drawn from across the South West but with international reach, the Immersion Fellows were funded to explore potential, challenges and opportunities in the realm of immersion spanning disciplines such as performance, sound, VR, heritage, music, dance, healthcare and ethics.

### **Finance**

For full notes and narrative on Watershed's financial control and performance please refer to the Financial Performance section.

### **18/19 Priority: Secure funds to support Rife for the next 3 years to develop a model with long term sustainability and raise funds to support our capital development programme.**

The total cost of running Rife is around £180,000 per year. Individuals who are passionate about seeing Rife continue have supported us with gifts of £65,186 in the year but we currently have a £114,832 shortfall in our budget.

The Rife programme is highly valued by the participants, the Board and wider sector stakeholders. It is an important priority for the organisation to secure funding.

### **Monitoring and Evaluation**

Watershed uses data (e.g. from Audience Finder), self-evaluation and research to reflect on its programme and make decisions. Our Evaluation Working group tracks progress within projects as well as through an annual Autumn Review and the regular demographic profiling and post event evaluation and research. We also undertake an annual anonymous staff survey to help us understand the demographics of our workforce and inform the continued development of fair and equal recruitment and staff development systems.

Watershed's Creative Team and Producers also employ an iterative, reflective approach to designing and delivering programmes, capturing feedback from participants and audiences in the moment and amending programme design to match changing needs and expectations. Our close collaboration with UWE Bristol allows us to co-design high quality research around our programmes through both formal partnership and development of our own skills.

## **Strategic report** *(continued)*

Significant examples this year include:

- A full survey of past and present residents of the Pervasive Media Studio analysing demographic make-up, economic impact and network activity.
- Focus groups and interviews with participants of the Network for Creative Enterprise.
- Impact and evaluation workshops with all participants in Creative Producers International to explore common goals and associated data sets for international public space work.

## **2019 - 2020 Organisational Priorities**

The main priorities for the coming year are listed below:

### **Talent and networks**

- Put a programme plan in place for a fourth cinema
- Launch the Rife book and catalyse fundraising campaign

### **Audiences**

- Deliver a communications and branding strategy including capital development

### **People and culture**

- Deliver a joined up and inclusive human resources strategy

### **International**

- Deliver a major Playable City programme for Tokyo 2020

### **Venue and brand**

- Develop an approach for cross promotion with programme and Pervasive Media Studio
- Secure funding and permissions for the phase 1 capital development
- Implement ticket scanners and new office software and deliver the Business case for new operations systems

### **Innovation**

- Produce inclusive and engaged Digital Placemaking and Live Theatre pathfinder projects

### **Finance**

- Further develop a funding and cash flow strategy for the capital development
- Develop a finance strategy to meet the living wage

## **Risk Management**

Watershed invests significant attention on risk management, ensuring the organisation can make calculated investments in new and speculative areas without undermining the coherence and sustainability of the organisation.

We have in place a risk register to assess the risks we face in delivering our development programme and the actions required in order to minimise the impact of a risk should it materialise. Our risk register is created and reviewed by the Board and the Executive team, and our risk management strategy involves maintaining:

- Procedures to effectively mitigate identified risks;
- Procedures to ensure early detection of identified and emergent risks;
- Procedures to minimise the impact on the organisation should identified risks materialise;
- An annual review of the risks facing the organisation.

To achieve the balance of risk and stability Watershed has a mixed business model with diverse income streams, an effective governance system, develops long-term partnerships to leverage funding, builds creative capacity and regularly evaluates its positioning.

The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register. Watershed's risk register is reviewed and updated annually. The most recent risk register was approved by the Board in March 2019.



## Strategic report *(continued)*

### Financial review

#### Overview

The consolidated balance sheet set out on page 23 shows an increase in unrestricted income funds (excluding the head lease unrestricted designated fund) of £93,477 in the year (2018: £145,696). The outcome is a good result and reflects Watershed's ability to adapt to changing circumstances and respond quickly to adverse trading conditions.

Some of the increase is attributable to timing differences between the recognition of income and expenditure in respect of individual areas of activity supported by restricted programme funds. Specifically, Film Hub activity, the Clusters programme and the Creative Producers international programme. New designated funds were set up in the year to ring-fence surpluses associated with the latter two programmes. The existing film hub designated fund has increased to reflect the application of funds in the year.

A shortfall in funding to support the Rife programme was met by utilising the Rife designated fund to support programme costs. The remaining balance of £14,662 will likely be called upon to support activity in 2019/20. In 2017/18 our arrangement with the City Council to deliver the Rife programme (£180,000 contract) came to an end and we are still working to compensate for this loss of funding in order to continue this valuable programme. Fundraising for the Rife programme is a key priority for the coming year.

Overall, designated programme funds have increased by £79,536.

The consolidated results set out on pages 21 to 23 show a deficit of £101,946 (2018: surplus of £69,881) for the year. The surplus on unrestricted funds for the year totalled £37,732 (2018: £89,950). Further details are set out in notes 20 and 21.

Whilst cinema ticket sales and café/bar and conferencing sales show a reduction on the previous year (where performance was deemed exceptional) we exceeded budget expectations overall in terms of operating performance.

#### Subsidiary Company Results

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

These activities continue to provide a valuable income stream to support the charitable activities of the Arts Trust, and form a key part of the Watershed offer as a whole, providing a welcoming, open and inclusive meeting place for all to enjoy. The café/bar and conference events business generate significant footfall and revenue which contribute to Group resource.

Watershed Trading Limited made donations of £166,609 (2018: £205,848) through gift aid to the Charity and generated profits before tax of £1,015 (2018: £986). The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales generated £1,236,431 (2018: £1,273,442). Sales show a 2.9% decrease on the previous year, where performance was deemed exceptional. However, sales margins were maintained well within budget limits throughout the year enabling Watershed to exceed budget overall, maximize income and maintain its competitive market position.
- Conference sales generated £473,825 (2018: £461,904), an increase of 2.6% on the previous year. Watershed continues to seek out new business opportunities, growing its customer base and developing new initiatives. A clear focus on providing a high quality, flexible service for its clients whilst maintaining key sales margins is leading to increasing demand and profitability.

Key Trading initiatives in the year included the introduction of events celebrating Gin and Rum and an increased focus on festive celebrations.

The charity's wholly owned subsidiary, **Watershed Ventures CIC**, supports the development of talent, providing support to explore the potential of new technologies, and undertakes projects to promote collaboration between artists and the creative industries.

## Strategic report *(continued)*

In the year, **Watershed Ventures CIC** made no donations (2018: nil) through gift aid to the Charity and generated a loss before tax of £1,073 (2018: loss of £1,136) and total revenue of £ nil (2018: £750).

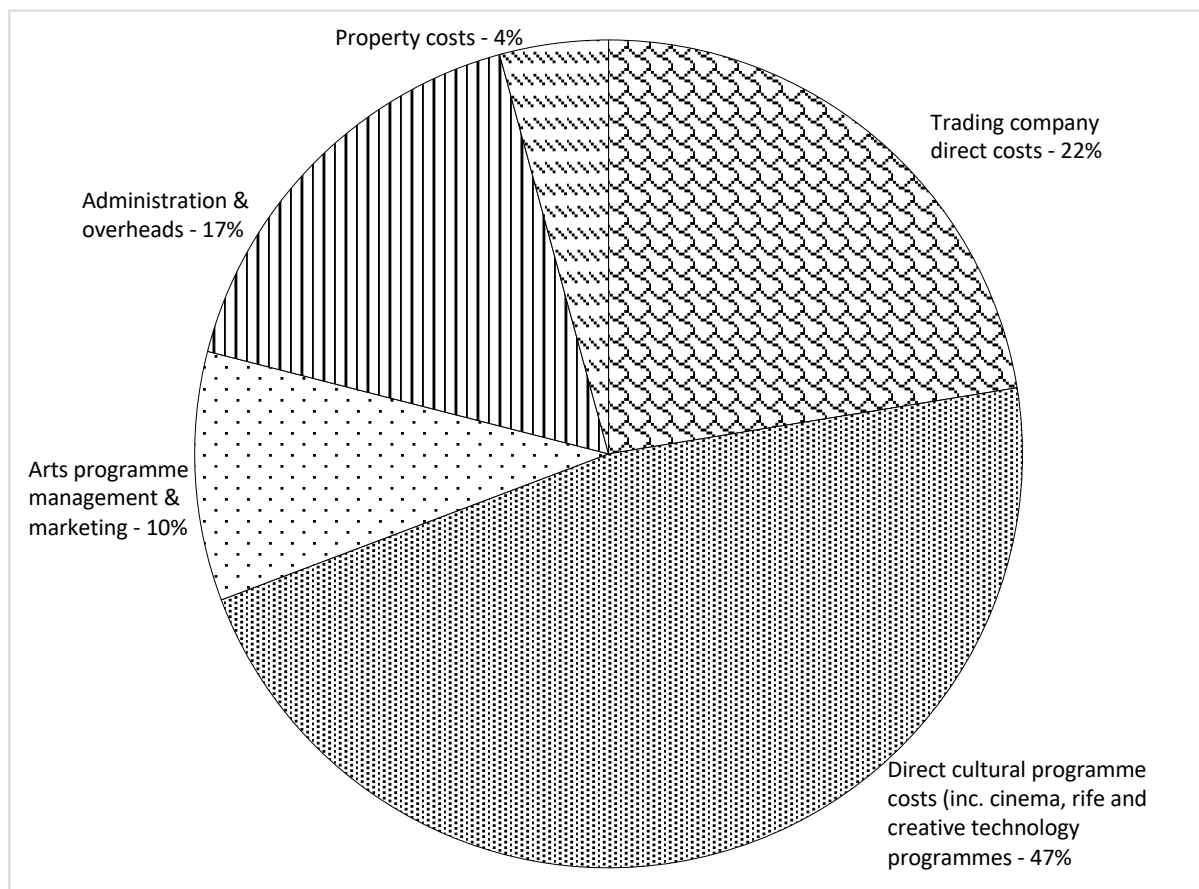
No activity was undertaken by Watershed Ventures in 2018/19. Going forward, Watershed Ventures will focus on supporting emerging creative talent, establishing pathways to exploit ideas and grow businesses. Plans remain in development and it is unlikely that any significant activity will take place in the 2019/20 financial year.

### Operating model

Watershed's financial model provides both flexibility and resilience to enable Watershed to thrive in an increasingly complex and unpredictable operating environment. The ability to seize opportunities as they arise and respond quickly to a downturn in business is crucial to Watershed's operation.

Almost half of Watershed group costs (47%) relate to the delivery of its extensive creative programme, ranging from year-round cultural cinema to artists residencies and innovative technology projects supporting creative talent.

The chart below shows Watershed's expenditure profile in 2018/19.



Watershed relies on a wide variety of income streams to support these costs, all of which play a vital role in enabling Watershed to deliver its charitable objectives.

### Cost efficiency

We are constantly seeking to make efficiency savings without compromising the quality of our offer. Overhead and administration costs are reviewed each year to ensure that quality and value for money are maintained at an appropriate level. Suppliers across the organisation are selected on the basis of quality of service and value for money.

### Financial monitoring and control

Watershed has rigorous financial systems in place which enable potential problems to be detected early on and changes made as necessary to mitigate any impact.

A careful and prudent budgeting process, led by the Head of Finance and engaging key budget holders, ensures that financial targets (income and costs) are realistic and achievable.

## Strategic report *(continued)*

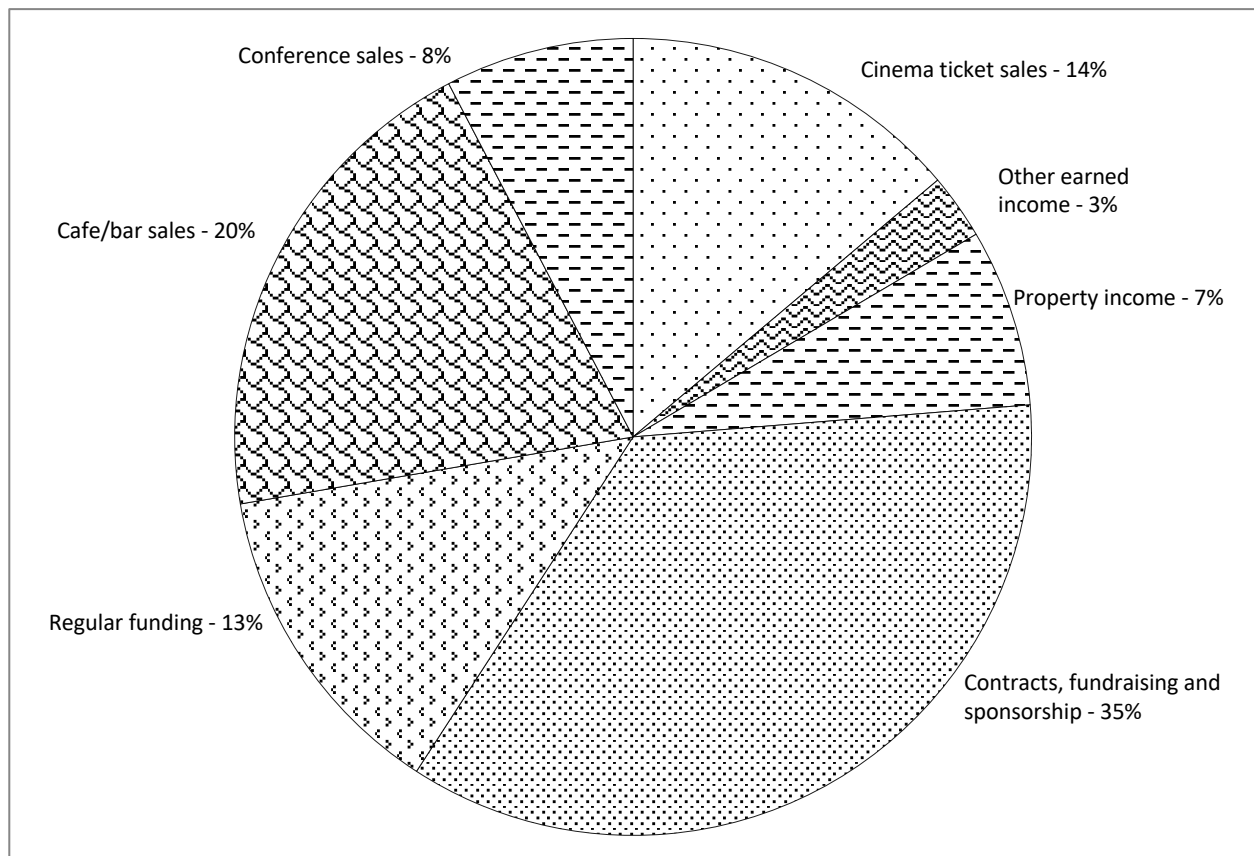
The production of monthly management accounts and weekly sales reports ensures that progress against financial targets is kept in close check. Food and liquor sales margins are tracked weekly and are verified by a monthly stock take. Other key margins are reviewed on a monthly basis to ensure that income streams are maximised.

Financial performance is reviewed monthly by Watershed's executive team and quarterly by Watershed's Finance Sub-Group and Board.

The application of restricted funds is carefully monitored through individual profit and loss accounts relating to each fund. This ensures the correct application of restricted programme funds and maintains activities within the budget parameters set.

Cash flow is tracked through a rolling annual forecast which is reviewed and updated on a weekly basis.

The **principal funding sources** of the Watershed Group are shown in the chart below.



### Restricted Programme Funds

One-off and short term programme funds received through partnership agreements, restricted project grants and contracts for services account for the most significant percentage of Watershed's income (35% in 2018/19).

Building relationships with key funders and partners is vital to ensuring that these funds continue to grow, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2018/19 programme funds totalled £2.09 million (2017/18: £1.56 million), an increase of 34%.

Much of this increase is attributable to 3 new programmes which came on stream in the year:

- The Creative Industries Clusters programme – funded by the Arts and Humanities Research Council (AHRC), via UWE. Watershed will receive £797,000 of funding over 4 years, ending in March 2022.
- The South West Technology Network – Watershed is one of a number of partners involved in this project, led by UWE, and funded by a £6.5million research grant from Research England. Watershed will receive approx. £1.1 million over a 3 year period ending in March 2021 (via UWE).
- Immersive Documentaries programme – funded by the Engineering and Physical Sciences Research Council (EPSRC) via the University of Bristol (UoB). Watershed is in receipt of £182,211 to engage in the programme which took place in 2018/19 and will extend into 2019/20.

University collaborations continue to be an important aspect of Watershed's business.

## **Strategic report** *(continued)*

The existing Pervasive Media Studio collaboration agreement with UWE and UoB continues to enable Watershed to invest in new strategic/talent development programmes and opportunities.

In the year, Watershed continued to manage the Virtual Reality (VR) Lab which was established in 2017/18 as an extension of our Studio collaboration into VR. Watershed takes a small fee for undertaking this role.

Other major partners include Arts Council England (ACE), the British Film Institute (BFI), Bristol City Council (BCC), and the British Council.

2018/19 was the first year of a new 4 year funding arrangement with the BFI to act as a Hub Lead Organisation (HLO) as part of the national film audience initiative. The agreement also includes new income streams to support marketing, communications and audiences and for Watershed to play a lead role in developing talent across the Hub region.

### **Unrestricted Grants**

Watershed receives regular funding in the form of National Portfolio funding from Arts Council England (ACE) and Key Arts Provider funding from Bristol City Council (BCC). Both of these arrangements reached the final year of their 3 year term in the previous year. 2018/19 is the first year of renewed 4 year relationships with both funders.

ACE funding over the next four years remains at standstill on 2017/18 levels. Whilst in real terms this does not keep up with inflation, it enables Watershed to move forward with its business plan and continue to deliver an exceptional cultural offer.

However, as expected, funding from BCC in 2018/19 was reduced by 35% on 2017/18 levels with a further 25% cut planned for year 4 of the agreement.

Watershed is mindful that these funds are often impacted by changes in government policy and priorities and is aware that other in-year cuts may be incurred over the duration of these agreements. Unrestricted funding from ACE and BCC accounts for 13% of Group turnover and, although forming a relatively small percentage of overall turnover, these funds form a vital part of Watershed's financial equation. It is therefore important that Watershed positions itself to be able to respond and adapt accordingly.

### **General Fundraising**

In the 2018/19 financial year Watershed secured £94,172 (2017: £88,069) from fundraising through individual giving and private sponsorship. Of this amount the sum of £65,186 was secured to support Rife, Watershed's on line magazine for young people. This does not however fully support the costs of this programme (approx. £180k) and fundraising to enable us to continue this programme is a focus for the coming financial year. To this end we will continue to develop our individual giving programme and target Trusts and Foundations as part of an overall fundraising strategy for the Rife programme.

In the coming year we will also focus our efforts on fundraising for our major capital programme which is planned to commence towards the end of the 2019/20 financial year (see resilience section).

### **Commercial sales - Café/bar and Conference**

A large proportion of Watershed's turnover (28%) comes from sales generated by Watershed's trading subsidiary through its café/bar and conference operations providing a vital income stream to support the Arts Trust.

The café/bar is the social heart of the organisation and the catering experience is a key part of defining the ambience. The food and beverage offer is designed to meet the needs of the full range of Watershed's visitors from snacks to full meals, from herbal tea to speciality spirits, with a corresponding range of prices.

Watershed's versatile conference service enables organisations and companies to create their own events using Watershed's quality facilities and expertise. Events hosted range from corporate conferences to bespoke weddings for culture lovers. Importantly, this in-house expertise and facilities also enables Watershed to host festivals and events programmed by the Arts Trust and its partners which form an important part of the creative programme, for example Encounters Festival. Watershed maintains a fine balance between generating commercial profits and supporting the creative outputs which are key to Watershed's success in meeting its charitable objectives.

## **Strategic report** *(continued)*

### **Cinema sales**

Cinema ticket sales accounted for 14% of Group turnover in 2018/19. Whilst sales and audience numbers in 2018/19 dipped from those achieved in the previous year (where audiences reached an all-time high) performance in the year was consistent with the long term growth trend. Watershed also compared well with other independent cinemas.

Watershed strikes a fine balance between the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged. Watershed's pricing policy reflects these aims and we continue to operate a policy of reduced ticket prices for the under 25's to encourage younger audience members and build audiences for the future.

### **Property Income**

Rental income received from Watershed's head lease tenancies continue to be applied to the charitable objectives of the Arts Trust.

In the year, rent reviews were completed for two of the units occupied by café/bars and one rent review remains ongoing through the arbitration process. These rentals provide a vital income stream enabling us to continue to invest in creative opportunities.

In December 2018 Watershed agreed to the early surrender of the under lease held by Bristol City Council (BCC) to one of the head lease units. The unit had been sub-let by BCC to Bristol Energy and was due to expire in June 2019. The unit has been taken back by Watershed and fitted out as a shared open-plan workshop and work space providing 30 desk spaces. Half of the space is now occupied by teams from Bristol and Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate. The remaining desks are being marketed to micro/small creative companies at market rates.

The Studio is expected to generate an annual net benefit in the region of £50k in 2019/20 and will also add benefit to the creative community it houses through close connections with Watershed's pervasive media studio.

### **Future resilience**

Whilst Watershed's model is designed to be flexible and resilient it operates in a difficult and unpredictable operating environment. There is strong commercial competition from new café/bars and conference facilities locally and one-off programme funds, which make up a substantial portion of Watershed's income portfolio, are fiercely sought after. There also remains a strong likelihood of cuts to public funding in the future.

In addition, Watershed is committed to achieving a living wage for all staff and is gradually progressing towards this target, adding to Watershed's financial load.

Watershed aims to be as self-sustaining, flexible and robust as possible, maximising income streams and taking advantage of new opportunities as they arise. Building reserves for future investment is a key part of our strategy.

In order to achieve this long term resilience and sustainability we continue to develop plans to implement an ambitious capital project.

The project is planned in two phases. Phase one involves the construction of a boutique 4<sup>th</sup> cinema screen and café/bar facility increasing capacity in these areas and providing increased programming flexibility. Phase two involves the redevelopment and extension of the building to house additional incubation and grow on space for resident companies.

The development increases Watershed's overall capacity, responding to growing demand, and provides high quality facilities for audiences, creative talent and cultural enterprise. We anticipate that the investment will result in additional net income in the region of £200,000 per annum.

Feasibility study and design to RIBA Stage 1 were completed in 2016, supported by funding from Bristol City Council. In 2017/18 we continued to develop our plans and investigate potential funding opportunities. In 2018/19 plans were further progressed and, following a positive response to the submission of a planning pre-application in the year, permission for phase 1 will be sought in the 2019/20 financial year.

Fundraising for the project is ongoing with a range of applications to potential funding bodies, including Trusts and Foundations, in progress. This includes an initial funding application to the West of England Combined Authority.

In addition, the City Council has agreed to support the project through the restructuring of our head lease, subject to the fulfilment of certain criteria. Negotiations are expected to be completed in the 2019/20 financial year, resulting in the reduction of ground rent payable to peppercorn and a new simplified lease structure. This will be capitalised to provide Watershed with a funding contribution currently estimated at around £500,000.

## Strategic report *(continued)*

### Reserves policy

Watershed's reserves form part of the organisation's strategic planning process informing business planning, budget and risk management, ensuring that Watershed remains sustainable, has the capacity to manage unforeseen financial circumstances and is able to invest in its future.

In establishing its policy, Watershed has considered the day-to-day operational requirements of the Arts Trust, the key areas of risk to the business and the need for future investments to improve services and resilience.

Watershed holds reserves for the purpose of:

#### Meeting the day-to-day operational requirements of the Arts Trust

- managing variations in cash flow requirements.

#### Managing the key areas of risk to the business

- protecting the Arts Trust against the uncertainty of future income streams/costs, including:
  - loss of rental income from the head lease units in E & W sheds as a result of unpaid rent or units becoming vacant;
  - a decline in unrestricted regular funding from key stakeholders, in particular in-year cuts in public subsidy;
  - a decline in revenue from Watershed's trading subsidiary due to adverse trading.

#### Requirements for future investment

- providing the necessary capital to ensure that E & W sheds are maintained in an excellent state of repair;
- enabling the Arts Trust to undertake new, unplanned activities required to sustain the business;
- enabling the Arts Trust to respond to unexpected opportunities;
- providing resources to invest in long-term future developments (eg. capital projects, staff capacity).

#### Current level of reserves

Watershed currently holds reserves in a general fund (to support the day-to-day operational requirements of the Trust and mitigate risk) and separate designated funds to ring-fence funds for a specific purpose. These designated funds comprise:

**Bristol + designated fund** held for the purpose of:

- preserving the heritage of E & W sheds;
- making improvements to E & W sheds and the immediate public realm;
- delivering outputs to develop the Bristol cultural and creative economy, including Watershed.

This fund also sets aside resource to allow Watershed the flexibility to make strategic investments to develop Watershed both creatively and operationally in order to maximise opportunities and secure its future.

Currently Bristol + funds are underwriting the costs of furthering the development of Watershed's major capital development whilst funding is secured to support the venture. At the end of 2018/19 these costs total £132,746 and are being treated as an asset on Watershed's balance sheet. Watershed's Board has currently agreed a limit of £200,000 on this underwriting.

Should Watershed terminate the project Bristol + funds will be utilised to support these costs. If funds are called upon for this purpose, it is Watershed's intention to replenish these reserves once fundraising is in place. Watershed does not anticipate utilising these reserves in the 2019/20 financial year.

In 2017/18 two additional designated funds were established to ring-fence surpluses attributable to timing differences in the areas of Rife and Film Hub activity.

**Rife designated fund** - held for the purpose of ring-fencing surpluses attributable to timing differences in this area. In the 2018/19 financial year £48,969 of this fund was utilised to support RIFE activity. The remaining balance of £14,662 is held to support Rife activity in future years as required.

## Strategic report *(continued)*

**Film Hub designated fund** - held for the purpose of ring-fencing surpluses attributable to timing differences in Film Hub activity. In the 2018/19 financial year this fund increased by £24,632 to £47,651. This reflects the net surplus attributable to timing differences at the end of 2018/19 and will be utilised in 2019/20.

In 2018/19 two new designated funds have been established:

**Clusters designated fund** - held for the purpose of ring-fencing surpluses attributable to timing differences in this area of activity. These funds will be called upon to support the costs of Clusters programme activity in 2019/20 and the costs associated with office/workshop space over the remainder of the project (3 years)

**CPI designated fund** - held for the purpose of ring-fencing surpluses attributable to timing differences associated with the Creative Producers International Programme (CPI). These funds will be called upon to support activity in 2019/20.

Watershed's reserves currently comprise\*:

|                                 |                  |
|---------------------------------|------------------|
| General fund                    | £ 511,802        |
| Designated fund – Bristol +     | £ 319,889        |
| Rife designated fund            | £ 14,662         |
| Film Hub designated fund        | £ 47,651         |
| CPI designated fund             | £ 25,000         |
| <u>Clusters designated fund</u> | <u>£ 78,873</u>  |
| <b>Total</b>                    | <b>£ 997,877</b> |

*\*note – net current assets available at 31 March 2019 stand at £617,098*

In 2011/12 a 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 £5,504,856 held in this fund at the end of 2018/19. With Board approval, each year the sum of £55,745 is transferred from this designated fund to the general fund to match the depreciation on the head lease.

This fund represents a tangible fixed asset from which Watershed operates, which is fundamental to the delivery of the business plan. This fund is therefore not included in Watershed's reserves.

### Future targets

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

- forecast levels of income and expenditure for the coming years as projected in its business plan;
- the obligations and operational requirements of the Charity and the likelihood and consequences of these requirements not being met;
- the likelihood and financial impact of key areas of risk on the business;
- the future developmental needs of the organisation.

The amount deemed appropriate to meet the day-to-day operational requirements of the Arts Trust and protect the Arts Trust against the uncertainty of future income streams is 10% of Group turnover. This translates to a current target of £600,000 for the General Fund. General Fund reserves will be built up over coming years, in line with projections outlined in Watershed's current business plan.

The level of reserves currently held in the Bristol + fund (£319,889) is deemed appropriate for Watershed's needs at the present time to enable Watershed to maintain E & W sheds in a good state of repair in line with current maintenance plans and bridge the costs of unplanned emergency repairs which may be required.

The Bristol + fund also provides reserves for future investment. The fund is currently underwriting the costs of furthering the planned capital development whilst fund-raising for the project is on-going.

The completed capital development will create a model which is more resilient and sustainable both financially and environmentally and allow Watershed to build essential reserves for strategic investment.

Watershed's reserves policy is reviewed annually by the Board as part of the organisation's strategic planning process.

## Trustees' report

### Structure, governance and management

Watershed is structured as a group of three companies, the parent company Watershed Arts Trust Ltd and two wholly owned subsidiaries, Watershed Trading Ltd and Watershed Ventures CIC. The Arts Trust delivers the core programme, Watershed Trading Ltd manages hospitality and Watershed Ventures is a CIC which we are not currently delivering any activity through - it is envisaged it will become the vehicle to support companies resident within the expanded building.

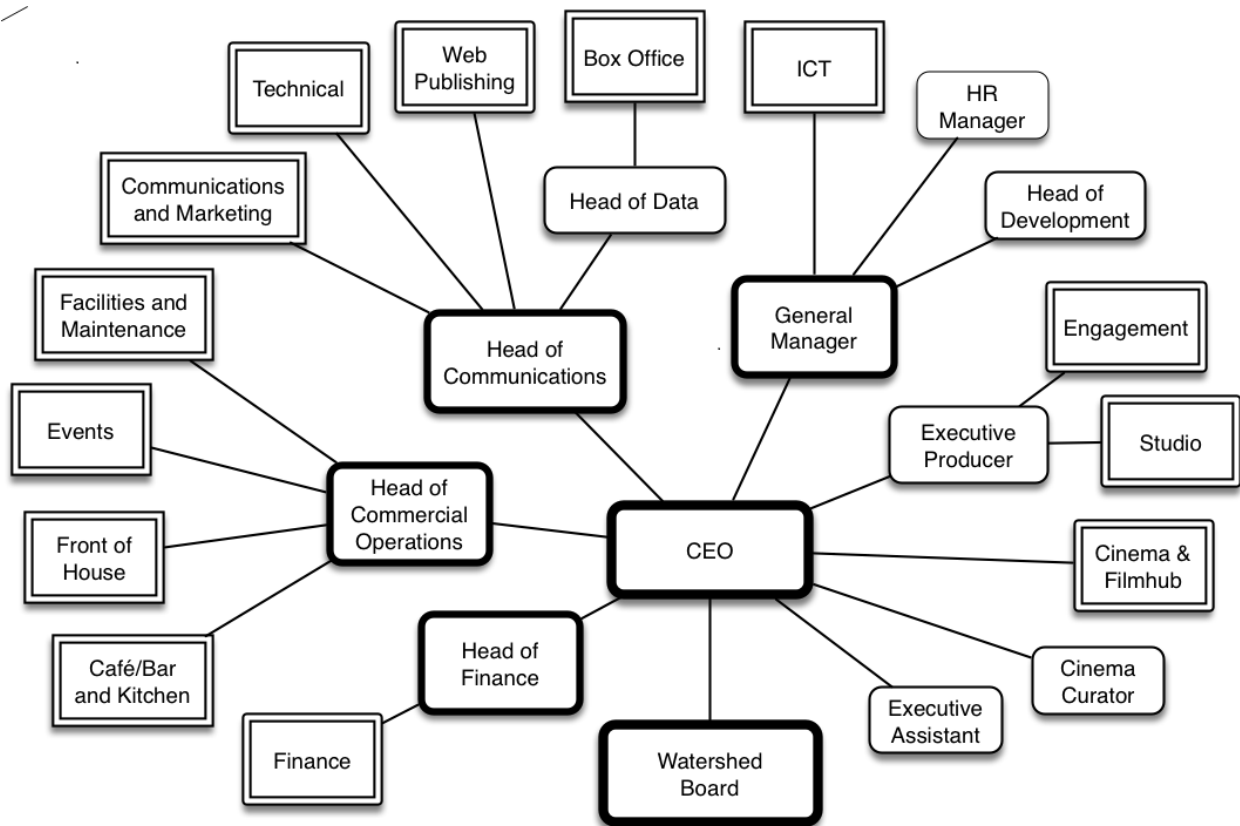
Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

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

Watershed's executive group, comprising of three senior managers, report to the Chief Executive Officer. In the coming year, a new post of General Manager will take on responsibility for business development, as we continue to develop our executive structure.

The Executive Team meet four times a month, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations.

Watershed's organisational structure at the end of 2018/19 is shown in the diagram below.





## **Trustees' report** *(continued)*

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

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

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

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

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

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

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

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. Watershed Ventures CIC (previously iShed CIC) was incorporated on 12 February 2007.

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

#### **Trustees**

J. Touzel (Chair)  
S. Ahmed (resigned 27 March 2019)  
P. Appleby  
D. Bunyan  
S. Cooper  
J. Durrant  
L. Gardner  
S. Gatfield  
S. Johnson (resigned 22 September 2018)  
S. Wilson  
Councillor E. Tincknell  
S. Eugene-Hart  
D. Whitehead (resigned 27 March 2019)  
J. Roscoe (appointed 27 March 2019)  
S. Lovegrove (appointed 26 June 2019)

## Trustees' report *(continued)*

**Secretary:** Lisa Gardner  
**Chief Executive Officer:** Clare Reddington  
**Charity number:** 284188  
**Company number:** 01608779  
**Registered Office:** 1 Canon's Road, Harbourside, Bristol, BS1 5TX  
**Auditors:** Saffery Champness LLP, 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 Board of Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charitable Company's auditors are unaware; and each Trustee has taken all the steps that he/ she ought to have taken as a Trustee to make himself/ herself aware of any relevant audit information and to establish that the charitable Company's auditors are aware of that information.

### Auditors

Watershed's Board of Trustees re-appointed auditors Saffery Champness LLP at its Board meeting held on

Date:- 25/9/19

By order of the Board



**J Touzel**  
*Chair of the Board*

1 Canon's Road  
Bristol  
BS1 5TX

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

### **Opinion**

We have audited the financial statements of Watershed Arts Trust Limited for the year ended 31 March 2019 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the group and charitable company's state of affairs as at 31 March 2019 and of their incoming resources and application of resources, including income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

We have nothing to report in this regard.

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

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

**Use of our report**

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



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

|                       |                      |
|-----------------------|----------------------|
| Chartered Accountants | St Catherine's Court |
| Statutory Auditors    | Berkeley Place       |
| Date: 26/9/19         | Clifton, Bristol     |
|                       | BS8 1BQ              |

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

## Consolidated statement of financial activities (including an income & expenditure account)

for the year ended 31 March 2019

|   | <i>Note</i> | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total Funds<br/>2019<br/>£</b> | <b>Total Funds<br/>2018<br/>£</b> |
|---|-------------|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Income</b>   |             |                                     |                                   |                                   |                                   |
| <b>Voluntary income</b>                                     |             |                                     |                                   |                                   |                                   |
| <i>Donations and legacies</i>                               |             |                                     |                                   |                                   |                                   |
| Individual giving   |             | 94,172                              | -                                 | 94,172                            | 88,067                            |
| Donated services  |             | 35,019                              | -                                 | 35,019                            | 35,647                            |
| Regular grant funding                                       | 4           | 812,289                             | -                                 | 812,289                           | 849,249                           |
| <i>Other trading activities</i>                             |             |                                     |                                   |                                   |                                   |
| Commercial trading operations                               | 6/7         | 1,743,416                           | -                                 | 1,743,416                         | 1,765,338                         |
| <i>Investment income</i>                                    |             |                                     |                                   |                                   |                                   |
| Interest receivable   |             | 226                                 | -                                 | 226                               | 110                               |
|   |             | <u>2,685,122</u>                    | <u>-</u>                          | <u>2,685,122</u>                  | <u>2,738,411</u>                  |
| <b>Income from charitable activities</b>                    |             |                                     |                                   |                                   |                                   |
| Earned income from cinema activities                        |             | 916,714                             | -                                 | 916,714                           | 965,928                           |
| Rental income   |             | 216,292                             | -                                 | 216,292                           | 218,056                           |
| Service charges   |             | 190,608                             | -                                 | 190,608                           | 110,001                           |
| Other earned income   |             | 100,467                             | -                                 | 100,467                           | 134,638                           |
| Programme funds   | 4           | 18,507                              | 2,074,001                         | 2,092,508                         | 1,566,270                         |
|   |             | <u>1,442,588</u>                    | <u>2,074,001</u>                  | <u>3,516,589</u>                  | <u>2,994,893</u>                  |
| <b>Other income</b>   |             |                                     |                                   |                                   |                                   |
| Capital grants  |             | -                                   | 39,509                            | 39,509                            | 133,767                           |
| <b>Total income</b>   |             | <u><b>4,127,710</b></u>             | <u><b>2,113,510</b></u>           | <u><b>6,241,220</b></u>           | <u><b>5,867,071</b></u>           |
| <b>Expenditure</b>  |             |                                     |                                   |                                   |                                   |
| <b>Costs of raising funds</b>                               |             |                                     |                                   |                                   |                                   |
| Fundraising costs   | 8           | (53,773)                            | -                                 | (53,773)                          | (53,354)                          |
| Commercial trading operations                               | 6           | (1,382,258)                         | -                                 | (1,382,258)                       | (1,362,923)                       |
|   |             | <u>(1,436,031)</u>                  | <u>-</u>                          | <u>(1,436,031)</u>                | <u>(1,416,277)</u>                |
| <b>Charitable activities</b>                                |             |                                     |                                   |                                   |                                   |
| Operation of cinema, engagement and creative media projects | 9           | (2,671,342)                         | (2,074,001)                       | (4,745,343)                       | (4,235,026)                       |
| Donated services  |             | (35,019)                            | -                                 | (35,019)                          | (35,647)                          |
| CIC operation   | 7           | (1,152)                             | -                                 | (1,152)                           | (1,898)                           |
| Property management costs                                   |             | (125,621)                           | -                                 | (125,621)                         | (108,342)                         |
| <b>Total expenditure</b>                                    |             | <u><b>(4,269,165)</b></u>           | <u><b>(2,074,001)</b></u>         | <u><b>(6,343,166)</b></u>         | <u><b>(5,797,190)</b></u>         |
| Net income/(expenditure) before transfers and               |             | (141,455)                           | 39,509                            | (101,946)                         | 69,881                            |
| Net income/(expenditure) for the year                       |             |                                     |                                   |                                   |                                   |
| Transfers between funds                                     | 20          | 179,187                             | (179,187)                         | -                                 | -                                 |
| Net movement in funds                                       |             | <u>37,732</u>                       | <u>(139,678)</u>                  | <u>(101,946)</u>                  | <u>69,881</u>                     |
| <b>Reconciliation of funds</b>                              |             |                                     |                                   |                                   |                                   |
| Total funds brought forward                                 |             | 6,465,001                           | 1,612,525                         | 8,077,526                         | 8,007,645                         |
| <b>Total funds carried forward</b>                          |             | <u><b>6,502,733</b></u>             | <u><b>1,472,847</b></u>           | <u><b>7,975,580</b></u>           | <u><b>8,077,526</b></u>           |

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

## Consolidated cash flow statement

for the year ended 31 March 2019

|  | 2019             | 2018             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Cash flows from operating activities</b>              |                  |                  |
| Net (outgoings)/income                                   | (101,946)        | 69,881           |
| Depreciation of tangible assets                          | 331,545          | 329,662          |
| Loss on disposal of fixed assets                         | -                | -                |
| Taxation   | 89               | (2,599)          |
| Change in trade and other debtors                        | 27,691           | (149,620)        |
| Change in stocks   | 2,518            | 4,120            |
| Change in trade and other creditors                      | (75,184)         | 111,837          |
|  | <hr/>            | <hr/>            |
| <b>Net cash flow generated from operating activities</b> | <b>184,713</b>   | <b>363,281</b>   |
| <b>Cash flows from investing activities</b>              |                  |                  |
| Purchases of tangible assets                             | (253,718)        | (332,631)        |
|  | <hr/>            | <hr/>            |
| <b>Net cash from investing activities</b>                | <b>(253,718)</b> | <b>(332,631)</b> |
| <b>Cash flows from financing activities</b>              |                  |                  |
| Decrease in loan/long term creditors                     | -                | -                |
|  | <hr/>            | <hr/>            |
| <b>Net cash flows from financing activities</b>          | <b>-</b>         | <b>-</b>         |
|  | <hr/>            | <hr/>            |
| Cash at bank and in hand at beginning of year            | 1,036,359        | 1,005,709        |
|  | <hr/>            | <hr/>            |
| Cash at bank and in hand at end of year                  | <b>967,354</b>   | <b>1,036,359</b> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

**Consolidated and company balance sheets**  
 at 31 March 2019

|  | Note | Group            |             | Charity          |           |
|--|------|------------------|-------------|------------------|-----------|
|  |      | 2019<br>£        | 2018<br>£   | 2019<br>£        | 2018<br>£ |
| <b>Fixed assets</b>                            |      |                  |             |                  |           |
| Tangible assets                                | 13   | <b>7,396,194</b> | 7,474,021   | <b>7,370,717</b> | 7,451,818 |
| Investments                                    | 14   | -                | -           | <b>50,101</b>    | 50,101    |
|  |      | <b>7,396,194</b> | 7,474,021   | <b>7,420,818</b> | 7,501,919 |
| <b>Current assets</b>                          |      |                  |             |                  |           |
| Stocks   | 15   | <b>14,115</b>    | 16,633      | -                | -         |
| Debtors  | 16   | <b>629,500</b>   | 657,191     | <b>725,475</b>   | 808,222   |
| Cash at bank and in hand                       |      | <b>967,354</b>   | 1,036,359   | <b>570,116</b>   | 589,636   |
|  |      | <b>1,610,969</b> | 1,710,183   | <b>1,295,591</b> | 1,397,858 |
| <b>Creditors: due within one year</b>          | 17   | <b>(993,871)</b> | (1,068,966) | <b>(784,669)</b> | (866,189) |
| <b>Net current assets</b>                      |      | <b>617,098</b>   | 641,217     | <b>510,922</b>   | 531,669   |
| <b>Total assets less current liabilities</b>   |      | <b>8,013,292</b> | 8,115,238   | <b>7,931,740</b> | 8,033,588 |
| <b>Creditors: due after more than one year</b> | 18   | <b>(29,690)</b>  | (29,690)    | <b>(29,690)</b>  | (29,690)  |
| <b>Provisions for liabilities and charges</b>  | 19   | <b>(8,022)</b>   | (8,022)     | -                | -         |
| <b>Net assets</b>                              |      | <b>7,975,580</b> | 8,077,526   | <b>7,902,050</b> | 8,003,898 |
| <b>Unrestricted income funds - general</b>     | 20   | <b>511,802</b>   | 497,861     | <b>438,272</b>   | 424,233   |
| <b>CPI – unrestricted designated fund</b>      | 20   | <b>25,000</b>    | -           | <b>25,000</b>    | -         |
| <b>Clusters – unrestricted designated fund</b> | 20   | <b>78,873</b>    | -           | <b>78,873</b>    | -         |
| <b>Rife– unrestricted designated fund</b>      | 20   | <b>14,662</b>    | 63,631      | <b>14,662</b>    | 63,631    |
| <b>Film Hub – unrestricted designated fund</b> | 20   | <b>47,651</b>    | 23,019      | <b>47,651</b>    | 23,019    |
| <b>Bristol + unrestricted designated fund</b>  | 20   | <b>319,889</b>   | 319,889     | <b>319,889</b>   | 319,889   |
| <b>Head lease unrestricted designated fund</b> | 20   | <b>5,504,856</b> | 5,560,601   | <b>5,504,856</b> | 5,560,601 |
| <b>Restricted capital funds</b>                | 21   | <b>1,472,847</b> | 1,612,525   | <b>1,472,847</b> | 1,612,525 |
| <b>Total funds</b>                             |      | <b>7,975,580</b> | 8,077,526   | <b>7,902,050</b> | 8,003,898 |

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

For the parent charity net movement in funds is a deficit of £101,848 (2018: surplus of £70,266).

These financial statements were approved by the Board on

and were signed on its behalf by:



**J Touzel**  
 Chair of the Board



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### **Company information**

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

#### **Basis of preparation**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006, which have been applied consistently.

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

There are no material uncertainties about Watershed Arts Trust Limited and its subsidiaries' ability to continue as a going concern.

#### **Basis of consolidation**

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2019.

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

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

#### **Income**

##### **Voluntary income**

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

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

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

##### **Income from charitable activities**

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

Rentals receivable under operating leases, including any lease incentives, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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

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

## Notes (continued)

### 1 Accounting policies (continued)

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

#### **Donated services and facilities**

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

#### **Expenditure**

All expenditure is accounted for on an accruals basis.

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

Expenditure is recognised when a liability is incurred:

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

#### **Leases**

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

#### **Stocks**

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

#### **Taxation**

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

The tax expense represents the sum of the tax currently payable and deferred tax.

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

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

#### **Fund accounting**

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

#### **Restricted funds**

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### **Unrestricted funds**

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

#### **Designated funds**

The Bristol + fund is a designated development fund specifically to ring-fence surpluses associated with the rental income from E & W sheds. Other surpluses may also be transferred to this fund at the discretion of the Board. 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;
- delivering outputs to develop the Bristol Cultural and creative economy, including Watershed.

Currently Bristol + funds are underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2018/19 these costs total £132,746 and are being treated as an asset on Watershed's balance sheet.

In 2018/19 two new designated funds were established:

- Clusters designated fund - ring-fences surpluses attributable to timing differences to be utilised over the next 3 years for Clusters programme activity.
- CPI designated fund - held for the purpose of ring-fencing surpluses attributable to timing differences associated with the Creative Producers International Programme (CPI) to be utilised in 2018/19.

#### **Subsidiaries**

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

#### **Fixed assets and depreciation**

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

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

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

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

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

#### Leasehold improvements

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

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

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

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

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

In December 2015 Watershed undertook a programme of refurbishment to upgrade its computer facilities, kitchen equipment and lighting to more energy efficient and environmentally friendly equivalents. The costs of these upgrades are being depreciated over a 10 year period to reflect the useful life of these improvements.

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

Acquisition of the head lease to E & W sheds

In March 2007 Watershed purchased the head lease 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.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Financial instruments**

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

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

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

#### *Basic financial assets*

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

#### *Basic financial liabilities*

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

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

#### **Cash and cash equivalents**

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

#### **Foreign currency policy**

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

### **2 Critical accounting judgments and key sources of estimation uncertainty**

The head lease to E&W sheds is held by the Charity for the purposes of direct use of the Charity. It is Watershed's intention to impact positively on the immediate public realm and create an external environment around Watershed that is both welcoming and inclusive. Rental income generated by the head lease tenancies is applied directly to the charitable objectives of the Arts Trust. It is therefore deemed appropriate to base valuation of the head lease on its value in use as opposed to the net realisable value.

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

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

### **3 Legal status of the charity**

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2019 there were 11 members.

**Notes** (continued)

**4 Grant and project income receivable**

|   | Deferred as<br>at 1 April<br>2018 | Cash<br>received &<br>receivable<br>2018/19 | Credited to<br>income &<br>expenditure<br>2018/19 | Transferred<br>to capital<br>grants<br>2018/19 | Deferred as<br>at 31 March<br>2019 |
|---|-----------------------------------|---|---|--|------------------------------------|
|   | £                                 | £   | £   | £  | £                                  |
| <b>Income from donations and legacies</b> |                                   |   |   |  |                                    |
| <b>Unrestricted</b>                       |                                   |   |   |  |                                    |
| <b>Regular grant funding</b>              |                                   |   |   |  |                                    |
| Arts Council England                      | -                                 | 744,289                                     | (744,289)   | -  | -                                  |
| Bristol City Council                      | -                                 | 68,000                                      | (68,000)  | -  | -                                  |
| <b>Total regular grant funding</b>        | <b>-</b>                          | <b>812,289</b>                              | <b>(812,289)</b>                                  | <b>-</b>                                       | <b>-</b>                           |
| <b>Income from charitable activities</b>  |                                   |   |   |  |                                    |
| <b>Unrestricted grants</b>                |                                   |   |   |  |                                    |
| Europa Cinemas                            | -                                 | 11,257                                      | (11,257)  | -  | -                                  |
| <b>Unrestricted other project funding</b> |                                   |   |   |  |                                    |
| Other                                     | -                                 | 7,250                                       | (7,250)   | -  | -                                  |
| <b>Total other grants</b>                 | <b>-</b>                          | <b>18,507</b>                               | <b>(18,507)</b>                                   | <b>-</b>                                       | <b>-</b>                           |
| <b>Restricted</b>                         |                                   |   |   |  |                                    |
| <b>Programme funding - grants</b>         |                                   |   |   |  |                                    |
| Arts Council England                      | 171,045                           | 320,000                                     | (439,155)   | -  | 51,890                             |
| British Film Institute                    | -                                 | 676,875                                     | (676,875)   | -  | -                                  |
| HE Sector                                 | 20,722                            | 557,005                                     | (479,151)   | -  | 98,576                             |
| Other grants                              | -                                 | 237,034                                     | (237,034)   | -  | -                                  |
| <b>Programme funding - other</b>          |                                   |   |   |  |                                    |
| Other project funds                       | 8,333                             | 250,565                                     | (241,786)   | -  | 17,112                             |
| <b>Total programme funds</b>              | <b>200,100</b>                    | <b>2,059,986</b>                            | <b>(2,092,508)</b>                                | <b>-</b>                                       | <b>167,578</b>                     |
| <b>Total</b>                              | <b>200,100</b>                    | <b>2,872,275</b>                            | <b>(2,904,797)</b>                                | <b>-</b>                                       | <b>167,578</b>                     |

**5 Financial activities of the charity**

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

The gross incoming resources for the year ended 31 March 2019 for the charity was £4,864,176 (2018: £4,509,732). The overall net incoming resources for the year was a deficit of £101,848 (2018: surplus of £70,266), with a surplus of £37,830 (2018: surplus of £90,335) on unrestricted reserves.

**Notes** (continued)

**6 Trading subsidiary's results (Watershed Trading Limited)**

|   | 2019<br>Total<br>£ | 2018<br>Total<br>£ |
|---|--------------------|--------------------|
| <b>Turnover</b>                                     | <b>1,749,684</b>   | 1,771,673          |
| Cost of sales                                       | <b>(1,217,721)</b> | (1,193,613)        |
|   | —————              | —————              |
| <b>Gross profit</b>                                 | <b>531,963</b>     | 578,060            |
| Administration and other costs                      | <b>(164,497)</b>   | (169,075)          |
|   | —————              | —————              |
| <b>Trading profit</b>                               | <b>367,466</b>     | 408,985            |
| Other income  | -                  | -                  |
|   | —————              | —————              |
| <b>Net income</b>                                   | <b>367,466</b>     | 408,985            |
| Gift aid payment to Watershed Arts Trust Limited    | <b>(166,609)</b>   | (205,848)          |
| Management charge from Watershed Arts Trust Limited | <b>(199,842)</b>   | (202,151)          |
| Tax on profit on ordinary activities                | <b>(40)</b>        | (235)              |
|   | —————              | —————              |
| <b>Retained profit for the year</b>                 | <b>975</b>         | 751                |
| Retained profit brought forward                     | <b>61,532</b>      | 60,781             |
|   | —————              | —————              |
| <b>Retained profit carried forward</b>              | <b>62,507</b>      | 61,532             |
|   | =====              | =====              |

The assets and liabilities of the subsidiary were:

|  | 2019<br>Total<br>£ | 2018<br>Total<br>£ |
|--|--------------------|--------------------|
| Fixed assets                                   | <b>25,477</b>      | 22,203             |
| Current assets                                 | <b>434,328</b>     | 459,943            |
| Creditors: amounts falling due within one year | <b>(389,176)</b>   | (412,492)          |
| Provisions for liabilities and charges         | <b>(8,022)</b>     | (8,022)            |
|  | —————              | —————              |
| <b>Net assets</b>                              | <b>62,607</b>      | 61,632             |
|  | =====              | =====              |
| <b>Equity shareholders' funds</b>              | <b>62,607</b>      | 61,632             |
|  | =====              | =====              |

**Notes** (continued)

**7 Trading subsidiary's results (Watershed Ventures CIC)**

|   | <b>2019</b>    | <b>2018</b>  |
|---|----------------|--------------|
|   | <b>Total</b>   | <b>Total</b> |
|   | <b>£</b>       | <b>£</b>     |
| <b>Turnover</b>                                     | -              | 750          |
| Cost of sales                                       | -              | -            |
|   | <hr/>          | <hr/>        |
| <b>Gross profit</b>                                 | -              | 750          |
| Administration and other costs                      | <b>(1,152)</b> | (2,182)      |
|   | <hr/>          | <hr/>        |
| <b>Trading profit</b>                               | <b>(1,152)</b> | (1,432)      |
| Other income  | <b>79</b>      | 12           |
|   | <hr/>          | <hr/>        |
| <b>Net income</b>                                   | <b>(1,073)</b> | (1,420)      |
| Gift aid payment to Watershed Arts Trust Limited    | -              | -            |
| Management charge from Watershed Arts Trust Limited | -              | -            |
| Tax on profit on ordinary activities                |                | 284          |
|   | <hr/>          | <hr/>        |
| <b>Retained profit for the year</b>                 | <b>(1,073)</b> | (1,136)      |
| Retained profit brought forward                     | <b>12,096</b>  | 13,232       |
|   | <hr/>          | <hr/>        |
| <b>Retained profit carried forward</b>              | <b>11,023</b>  | 12,096       |
|   | <hr/> <hr/>    | <hr/> <hr/>  |

The assets and liabilities of the subsidiary were:

|  | <b>2019</b>   | <b>2018</b>  |
|--|---------------|--------------|
|  | <b>Total</b>  | <b>Total</b> |
|  | <b>£</b>      | <b>£</b>     |
| Current assets                                 | <b>61,024</b> | 63,110       |
| Creditors: amounts falling due within one year | -             | (1,013)      |
|  | <hr/>         | <hr/>        |
| <b>Net assets</b>                              | <b>61,024</b> | 62,097       |
|  | <hr/> <hr/>   | <hr/> <hr/>  |
| <b>Equity shareholders' funds</b>              | <b>61,024</b> | 62,097       |
|  | <hr/> <hr/>   | <hr/> <hr/>  |



**Notes** (continued)

**8 Allocation of support costs**

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

|                       | Charitable activities | Fundraising costs | Governance | 2019 Total     | 2018 Total |
|-----------------------|-----------------------|-------------------|------------|----------------|------------|
|                       | £                     | £                 | £          | £              | £          |
| <b>Support cost</b>   |                       |                   |            |                |            |
| General office        | 97,417                | 1,931             | 14,578     | <b>113,926</b> | 103,925    |
| Finance office        | 160,925               | 2,121             | 39,638     | <b>202,684</b> | 190,393    |
| External audit        | -                     | -                 | 14,263     | <b>14,263</b>  | 13,013     |
| Professional services | 12,880                | -                 | 5,736      | <b>18,616</b>  | 9,618      |
| Fundraiser costs      | -                     | 49,721            | -          | <b>49,721</b>  | 49,397     |
|                       | 271,222               | 53,773            | 74,215     | <b>399,210</b> | 366,345    |
|                       | 271,222               | 53,773            | 74,215     | <b>399,210</b> | 366,345    |

**9 Analysis of charitable expenditure**

|   | Audience Engagement Programme | Creative technology and talent development projects | 2019 Total       | 2018 Total |
|---|-------------------------------|---|------------------|------------|
|   | £                             | £   | £                | £          |
| Cinema Screening – direct costs         | 1,008,015                     | -   | <b>1,008,015</b> | 998,570    |
| Direct programme/project costs          | 484,164                       | 1,062,512   | <b>1,546,676</b> | 1,246,168  |
| Arts programme management and marketing | 382,374                       | 305,704   | <b>688,078</b>   | 690,114    |
| Premises costs                          | 339,073                       | 502,826   | <b>841,899</b>   | 673,234    |
| General support costs                   | 216,978                       | 54,244  | <b>271,222</b>   | 237,705    |
| Governance costs                        | 59,372                        | 14,843  | <b>74,215</b>    | 75,286     |
| Depreciation                            | 274,709                       | 40,529  | <b>315,238</b>   | 313,949    |
|   | 2,764,685                     | 1,980,658   | <b>4,745,343</b> | 4,235,026  |
|   | 2,764,685                     | 1,980,658   | <b>4,745,343</b> | 4,235,026  |

**Notes** *(continued)*

**10 Staff numbers and costs**

The average headcount in the year for the group was 128 (2018: 131).

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

|                               | <b>Number of employees</b> |                |
|-------------------------------|----------------------------|----------------|
|                               | <b>2019</b>                | <b>2018</b>    |
| Cultural engagement programme | <b>56</b>                  | 50             |
| Administration                | <b>11</b>                  | 11             |
| Catering                      | <b>15</b>                  | 13             |
| Bar                           | <b>15</b>                  | 13             |
| Conference                    | <b>4</b>                   | 4              |
|                               | <hr/> <b>101</b> <hr/>     | <hr/> 91 <hr/> |

The aggregate payroll costs of these persons were as follows:

| <b>Group</b>          | <b>2019</b>                  | <b>2018</b>           |
|-----------------------|------------------------------|-----------------------|
|                       | <b>£</b>                     | <b>£</b>              |
| Directors' emoluments | -                            | -                     |
| Wages and salaries    | <b>2,578,032</b>             | 2,448,203             |
| Social security costs | <b>254,654</b>               | 216,768               |
|                       | <hr/> <b>2,832,686</b> <hr/> | <hr/> 2,664,971 <hr/> |

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

Key management compensation in total for the year was £158,545 (2018: £105,566).

The emoluments of one employee, including benefits in kind, are within the range of £70,000 to £80,000 (2018 - the emoluments of one employee, including benefits in kind, was within the range of £100,000 to £110,000).

**Notes** (continued)

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

|  | <b>2019</b>      | 2018        |
|--|------------------|-------------|
|  | £                | £           |
| Auditors' remuneration – audit (Charity: £13,000)                | <b>22,850</b>    | 22,950      |
| Depreciation and other amounts written off tangible fixed assets | <b>331,545</b>   | 329,662     |
| Inventories recognised as an expense                             | <b>1,220,239</b> | 1,197,733   |
|  | <hr/>            | <hr/>       |
|  | <b>1,574,634</b> | 1,550,345   |
|  | <hr/> <hr/>      | <hr/> <hr/> |

**12 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiaries Watershed Trading Limited and Watershed Ventures CIC. The current year figures are for Watershed Trading Limited only, as there was no corporation tax due for 2019 by Watershed Ventures CIC.

|  | <b>2019</b> | 2018        |
|--|-------------|-------------|
|  | £           | £           |
| <b>Current tax</b>                         |             |             |
| UK corporation tax on results of the year  | <b>40</b>   | 235         |
| <b>Deferred tax</b> (see note 19)          |             |             |
| Origination/reversal of timing differences | -           | -           |
|  | <hr/>       | <hr/>       |
| Tax on profit on ordinary activities       | <b>40</b>   | 235         |
|  | <hr/> <hr/> | <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 (19%), (2018: 19%). The differences are explained below:

|   | <b>2019</b>  | 2018        |
|---|--------------|-------------|
|   | £            | £           |
| <i>Current tax reconciliation</i>                       |              |             |
| Profit on ordinary activities before tax                | <b>1,015</b> | 986         |
|   | <hr/>        | <hr/>       |
| Current tax at 19%                                      | <b>193</b>   | 187         |
| <i>Effects of:</i>                                      |              |             |
| Depreciation for period in excess of capital allowances | -            | 321         |
| Other timing differences                                | <b>(153)</b> | (273)       |
| Expenses not deductible for tax purposes                | -            | -           |
|   | <hr/>        | <hr/>       |
| Total current tax charge (see above)                    | <b>40</b>    | 235         |
|   | <hr/> <hr/>  | <hr/> <hr/> |

**Notes** (continued)

**13 Tangible fixed assets**

|                           | Head lease       | Leasehold<br>improvements | Furniture and<br>equipment | Total            |
|---------------------------|------------------|---------------------------|----------------------------|------------------|
| Group                     | £                | £                         | £                          | £                |
| <i>Cost</i>               |                  |                           |                            |                  |
| At beginning of year      | 6,214,399        | 3,185,767                 | 1,456,627                  | 10,856,793       |
| Disposals in the year     | -                | -                         | (34,377)                   | (34,377)         |
| Additions                 | -                | -                         | 253,718                    | 253,718          |
|                           | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| At end of year            | 6,214,399        | 3,185,767                 | 1,675,968                  | 11,076,134       |
|                           | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| <i>Depreciation</i>       |                  |                           |                            |                  |
| At beginning of year      | 653,799          | 1,656,317                 | 1,072,656                  | 3,382,772        |
| Depreciation on disposals | -                | -                         | (34,377)                   | (34,377)         |
| Charge for year           | 55,745           | 109,375                   | 166,425                    | 331,545          |
|                           | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| At end of year            | 709,544          | 1,765,692                 | 1,204,704                  | 3,679,940        |
|                           | <hr/>            | <hr/>                     | <hr/>                      | <hr/>            |
| <i>Net book value</i>     |                  |                           |                            |                  |
| <b>At 31 March 2019</b>   | <b>5,504,855</b> | <b>1,420,075</b>          | <b>471,264</b>             | <b>7,396,194</b> |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                | <hr/> <hr/>      |
| At 31 March 2018          | 5,560,600        | 1,529,450                 | 383,971                    | 7,474,021        |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                | <hr/> <hr/>      |

**Notes** (continued)

**13 Tangible fixed assets** (continued)

|                           | Head lease       | Leasehold<br>improvements | Furniture<br>and<br>equipment | Total            |
|---------------------------|------------------|---------------------------|-------------------------------|------------------|
| Charity                   | £                | £                         | £                             | £                |
| <i>Cost</i>               |                  |                           |                               |                  |
| At beginning of year      | 6,214,399        | 3,185,767                 | 1,347,078                     | 10,747,244       |
| Disposals in the year     | -                | -                         | (18,546)                      | (18,546)         |
| Additions                 | -                | -                         | 234,137                       | 234,137          |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| At end of year            | 6,214,399        | 3,185,767                 | 1,562,669                     | 10,962,835       |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| <i>Depreciation</i>       |                  |                           |                               |                  |
| At beginning of year      | 653,799          | 1,656,317                 | 985,310                       | 3,295,426        |
| Depreciation on disposals | -                | -                         | (18,546)                      | (18,546)         |
| Charge for year           | 55,745           | 109,375                   | 150,118                       | 315,238          |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| At end of year            | 709,544          | 1,765,692                 | 1,116,882                     | 3,592,118        |
|                           | <hr/>            | <hr/>                     | <hr/>                         | <hr/>            |
| <i>Net book value</i>     |                  |                           |                               |                  |
| <b>At 31 March 2019</b>   | <b>5,504,855</b> | <b>1,420,075</b>          | <b>445,787</b>                | <b>7,370,717</b> |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                   | <hr/> <hr/>      |
| At 31 March 2018          | 5,560,600        | 1,529,450                 | 361,768                       | 7,451,818        |
|                           | <hr/> <hr/>      | <hr/> <hr/>               | <hr/> <hr/>                   | <hr/> <hr/>      |

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

**14 Fixed asset investments**

| Shares                       | Charity<br>2019<br>£ | Charity<br>2018<br>£ |
|------------------------------|----------------------|----------------------|
| At the beginning of the year | 50,101               | 50,101               |
|                              | <hr/>                | <hr/>                |
| At the end of the year       | 50,101               | 50,101               |
|                              | <hr/> <hr/>          | <hr/> <hr/>          |

The above shares represent equity investments in group undertakings.

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

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

**15 Stocks**

|                                     | Group       |             | Charity     |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
|                                     | 2019<br>£   | 2018<br>£   | 2019<br>£   | 2018<br>£   |
| Finished goods and goods for resale | 14,115      | 16,633      | -           | -           |
|                                     | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

**Notes** (continued)

**16 Debtors**

|                                    | <b>Group</b>   |                | <b>Charity</b> |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | <b>2019</b>    | 2018           | <b>2019</b>    | 2018           |
|                                    | £              | £              | £              | £              |
| Trade debtors                      | <b>283,049</b> | 198,245        | <b>205,074</b> | 143,509        |
| Prepayments and accrued income     | <b>338,430</b> | 452,246        | <b>332,626</b> | 447,797        |
| Other debtors                      | <b>8,021</b>   | 6,700          | <b>7,801</b>   | 6,188          |
| Amounts owed by group undertakings | -              | -              | <b>179,974</b> | 210,728        |
|                                    | <u>629,500</u> | <u>657,191</u> | <u>725,475</u> | <u>808,222</u> |

All debtors are recoverable within one year.

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

|  | <b>Group</b>   |                  | <b>Charity</b> |                |
|--|----------------|------------------|----------------|----------------|
|  | <b>2019</b>    | 2018             | <b>2019</b>    | 2018           |
|  | £              | £                | £              | £              |
| Trade creditors  | <b>423,598</b> | 465,780          | <b>378,551</b> | 411,902        |
| Other creditors including taxation and social security | <b>177,386</b> | 155,856          | <b>75,435</b>  | 62,416         |
| Accruals and deferred income                           | <b>392,887</b> | 447,330          | <b>330,683</b> | 391,871        |
|  | <u>993,871</u> | <u>1,068,966</u> | <u>784,669</u> | <u>866,189</u> |

Other creditors include £134,416 (2018: £127,954) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £92,464.00, deferred income comprising £2,725 of advance cinema sales, £43,609 of conference and café/bar deposits, £86,511 of rental income received in advance, and £167,578 of grant and project income (note 4).

|   | <b>Group</b>     | <b>Charity</b>   |
|---|------------------|------------------|
|   | £                | £                |
| Balance as at 1 April 2018                                  | <b>138,868</b>   | <b>104,530</b>   |
| Amount released to income earned from charitable activities | <b>(494,011)</b> | <b>(459,673)</b> |
| Amount deferred in the year                                 | <b>487,988</b>   | <b>444,379</b>   |
|   | <u>132,845</u>   | <u>89,236</u>    |
| Balance as at 31 March 2019                                 | <b>132,845</b>   | <b>89,236</b>    |

**Notes** *(continued)*

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

|                                 | <b>Group</b>      |                   | <b>Charity</b>    |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <b>2019</b>       | <b>2018</b>       | <b>2019</b>       | <b>2018</b>       |
|                                 | <b>£</b>          | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| Other loans                     | <b>(29,690)</b>   | (29,690)          | <b>(29,690)</b>   | (29,690)          |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Analysis of loans               |                   |                   |                   |                   |
| Wholly repayable within 5 years | <b>(29,690)</b>   | (29,690)          | <b>(29,690)</b>   | (29,690)          |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

The balance of £29,690 relates to rental deposits being held in respect of tenancies to E & W sheds.

**19 Provisions and liabilities**

| <b>Group</b>                                  | <b>Deferred tax</b> |
|---|---------------------|
|   | <b>£</b>            |
| At beginning of year                          | 8,022               |
| Release in the year (note 12)                 | -                   |
|   | <u>          </u>   |
| Add back deferred tax asset (held in debtors) | -                   |
|   | <u>          </u>   |
| <b>Deferred tax liability at end of year</b>  | <b>8,022</b>        |
|   | <u>          </u>   |

The elements of deferred taxation are as follows:

|  | <b>2019</b>       | <b>2018</b>       |
|--|-------------------|-------------------|
|  | <b>£</b>          | <b>£</b>          |
| Difference between accumulated depreciation and capital allowances | <b>8,022</b>      | 8,022             |
| Other short term timing differences                                | -                 | -                 |
|  | <u>          </u> | <u>          </u> |
|  | <b>8,022</b>      | 8,022             |
|  | <u>          </u> | <u>          </u> |

The charity has no deferred taxation liabilities.

**Notes** (continued)

**20 Unrestricted income funds**

|  | <b>Group<br/>£</b> | <b>Charity<br/>£</b> |
|--|--------------------|----------------------|
| At beginning of year                     | 6,465,001          | 6,391,373            |
| Movement in year before transfers        | (141,455)          | (141,357)            |
| Transfer from restricted funds (note 21) | 179,187            | 179,187              |
|  | <hr/>              | <hr/>                |
| <b>At end of year</b>                    | <b>6,502,733</b>   | <b>6,429,203</b>     |
|  | <hr/> <hr/>        | <hr/> <hr/>          |

|                                  | <b>At beginning<br/>of year</b> | <b>Incoming<br/>resources</b> | <b>Expenditure</b> | <b>Transfers</b> | <b>Balance at 31<br/>March 2019</b> |
|----------------------------------|---------------------------------|-------------------------------|--------------------|------------------|-------------------------------------|
|                                  | <b>£</b>                        | <b>£</b>                      | <b>£</b>           | <b>£</b>         | <b>£</b>                            |
| <b>Unrestricted income funds</b> |                                 |                               |                    |                  |                                     |
| General fund                     | 497,861                         | 4,127,710                     | (4,269,165)        | 155,396          | <b>511,802</b>                      |
| <i>Designated Funds</i>          |                                 |                               |                    |                  |                                     |
| Bristol+ contingency fund        | 319,889                         | -                             | -                  | -                | <b>319,889</b>                      |
| Capital grants fund              | 5,560,601                       | -                             | -                  | (55,745)         | <b>5,504,856</b>                    |
| CPI fund                         | -                               | -                             | -                  | 25,000           | <b>25,000</b>                       |
| Clusters Fund                    | -                               | -                             | -                  | 78,873           | <b>78,873</b>                       |
| Rife Fund                        | 63,631                          | -                             | -                  | (48,969)         | <b>14,662</b>                       |
| Film Hub Fund                    | 23,019                          | -                             | -                  | 24,632           | <b>47,651</b>                       |
|                                  | <hr/>                           | <hr/>                         | <hr/>              | <hr/>            | <hr/>                               |
|                                  | 6,465,001                       | 4,127,710                     | (4,269,165)        | 179,187          | <b>6,502,733</b>                    |
|                                  | <hr/> <hr/>                     | <hr/> <hr/>                   | <hr/> <hr/>        | <hr/> <hr/>      | <hr/> <hr/>                         |

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

In 2018/19 the sum of £48,969 was transferred from the Rife fund to the general fund;

In 2018/19 the sum of £24,632 was transferred from the general fund to the Film hub fund.

In 2018/19 the sum of £25,000 was transferred from the general fund to the CPI fund

In 2018/19 the sum of £78,873 was transferred from the general fund to the Clusters fund.

In 2011/12 the sum of £5,925,688 was reclassified as unrestricted funds. This represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. 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 head lease 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 2018/19 the sum of £55,745 was transferred from this fund to undesignated income funds to match the depreciation on the asset the grant originally funded.



**Notes** (continued)

**21 Restricted funds: Group and Charity**

|                                       | At<br>beginning<br>of year | Incoming<br>resources | Transfer to<br>unrestricted<br>income<br>funds | Re-<br>classification<br>to<br>unrestricted<br>funds | Outgoing<br>resources | At end of<br>year |
|---------------------------------------|----------------------------|-----------------------|--|--|-----------------------|-------------------|
|                                       | £                          | £                     | £  | £  | £                     | £                 |
| <b>Capital grants</b>                 |                            |                       |  |  |                       |                   |
| Deferred capital grant                | 24,978                     | -                     | (13,781)                                       | -  | -                     | 11,197            |
| Deferred capital refurbishment grants | 706,855                    | -                     | (67,426)                                       | -  | -                     | 639,429           |
| Lottery lease purchase grant          | 548,855                    | -                     | (8,712)  | -  | -                     | 540,143           |
| ACE GforA capital grant               | 41,689                     | -                     | (2,800)  | -  | -                     | 38,889            |
| ACE small capital grant               | 200,970                    | -                     | (28,710)                                       | -  | -                     | 172,260           |
| LEP – capital grant                   | 89,178                     | 39,509                | (57,758)                                       | -  | -                     | 70,929            |
|                                       | <u>1,612,525</u>           | <u>39,509</u>         | <u>(179,187)</u>                               | <u>-</u>   | <u>-</u>              | <u>1,472,847</u>  |

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

**Deferred capital grant**

Grant support to fund refurbishments undertaken 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.

**LEP capital grant**

Grant support from West of England Local Enterprise Partnership to facilitate Watershed in setting up a new virtual reality lab 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 (3 – 5 years).

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

**Notes** (continued)

**22 Analysis of fund balances - group**

|  | <b>Unrestricted<br/>funds</b> | <b>Restricted<br/>funds</b> | <b>2019<br/>Total</b> | <b>2018<br/>Total</b> |
|--|-------------------------------|-----------------------------|-----------------------|-----------------------|
|  | £                             | £                           | £                     | £                     |
| Fixed assets                           | 5,923,347                     | 1,472,847                   | <b>7,396,194</b>      | 7,474,021             |
| Net current assets                     | 617,098                       | -                           | <b>617,098</b>        | 641,217               |
| Long term liabilities                  | (29,690)                      | -                           | <b>(29,690)</b>       | (29,690)              |
| Provisions for liabilities and charges | (8,022)                       | -                           | <b>(8,022)</b>        | (8,022)               |
|  | <hr/>                         | <hr/>                       | <hr/>                 | <hr/>                 |
|  | 6,502,733                     | 1,472,847                   | <b>7,975,580</b>      | 8,077,526             |
|  | <hr/> <hr/>                   | <hr/> <hr/>                 | <hr/> <hr/>           | <hr/> <hr/>           |

**23 Operating leases as a lessee**

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

|                            | <b>2019<br/>Group and<br/>Charity plant<br/>and equipment</b> | <b>2018<br/>Group and<br/>Charity plant<br/>and equipment</b> |
|----------------------------|---|---|
|                            | £   | £   |
| Within one year            | <b>10,791</b>   | 11,011  |
| Between one and five years | <b>29,446</b>   | 38,325  |
| After five years           | -   | -   |
|                            | <hr/>   | <hr/>   |
|                            | <b>40,237</b>   | 49,336  |
|                            | <hr/> <hr/>   | <hr/> <hr/>   |

**24 Operating leases as a lessor**

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

|                            | <b>2019<br/>Group and<br/>Charity leasehold<br/>property</b> | <b>2018<br/>Group and<br/>Charity leasehold<br/>property</b> |
|----------------------------|--|--|
|                            | £  | £  |
| Within one year            | <b>218,800</b>   | 255,856  |
| Between one and five years | <b>812,234</b>   | 841,222  |
| After five years           | <b>707,418</b>   | 867,899  |
|                            | <hr/>  | <hr/>  |
|                            | <b>1,738,452</b>   | 1,964,977  |
|                            | <hr/> <hr/>  | <hr/> <hr/>  |

In March 2007 Watershed purchased the unexpired term of the head lease to E and W Sheds. In addition to Watershed's own occupied space, E and W sheds also house five rental units. Tenants occupying these units hold under leases of varying lengths. Each under lease contains provision for a five yearly rent review. One of the units is rented at peppercorn to Destination Bristol and houses the Tourist Information Centre. This lease contains a break clause allowing each party to terminate the lease at any time by giving the other party six months' notice. In December 2018 Watershed agreed early surrender of the underlease to Bristol City Council. This unit is now rented out by Watershed to individuals and small businesses as a shared occupancy space. No unusual terms are contained within any of the other lease arrangements.

In October 2011 Watershed entered into a collaboration agreement with the UWE and the University of Bristol to undertake collaborative technologies activities. As part of this arrangement Watershed granted a licence to occupy the PM Studio to both universities on a shared collaborative basis. The initial agreement expired on 31 July 2016 and has subsequently been renewed for a further period of five years.

**Notes** *(continued)*

**25 Related party transactions**

During the year legal fees of £11,769 (2018: £22,630) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £ 35,019 (2018: £35,647) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

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

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

During the year the sum of £nil (2018: £4,124) was paid to Shamil Ahmed for the provision of services in respect of individual one-off creative projects. Shamil Ahmed is an independent artist and was a trustee of Watershed Arts Trust Limited until 27 March 2019.

**Notes** (continued)

**26 Comparative statement of financial activities**

|  | <b>Unrestricted<br/>Funds<br/>£</b> | <b>Restricted<br/>Funds<br/>£</b> | <b>Total Funds<br/>2018<br/>£</b> |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| <b>Income</b>  |                                     |                                   |                                   |
| <b>Voluntary income</b>  |                                     |                                   |                                   |
| <i>Donations and legacies</i>  |                                     |                                   |                                   |
| Individual giving  | 88,067                              | -                                 | 88,067                            |
| Donated services   | -                                   | 35,647                            | 35,647                            |
| Regular grant funding  | 849,249                             | -                                 | 849,249                           |
| <i>Other trading activities</i>  |                                     |                                   |                                   |
| Commercial trading operations  | 1,765,338                           | -                                 | 1,765,338                         |
| <i>Investment income</i>   |                                     |                                   |                                   |
| Interest receivable  | 110                                 | -                                 | 110                               |
|  | 2,702,764                           | 35,647                            | 2,738,411                         |
| <b>Income from charitable activities</b>   |                                     |                                   |                                   |
| Earned income from cinema activities   | 965,928                             | -                                 | 965,928                           |
| Rental income  | 218,056                             | -                                 | 218,056                           |
| Service charges  | 110,001                             | -                                 | 110,001                           |
| Other earned income  | 134,638                             | -                                 | 134,638                           |
| Project funds  | 85,537                              | 1,480,733                         | 1,566,270                         |
|  | 1,514,160                           | 1,480,733                         | 2,994,893                         |
| Capital grants   | -                                   | 133,767                           | 133,767                           |
| <b>Total income</b>  | <b>4,216,924</b>                    | <b>1,650,147</b>                  | <b>5,867,071</b>                  |
| <b>Expenditure</b>   |                                     |                                   |                                   |
| <b>Costs of raising funds</b>  |                                     |                                   |                                   |
| Fundraising costs  | (53,354)                            | -                                 | (53,354)                          |
| Commercial trading operations  | (1,362,923)                         | -                                 | (1,362,923)                       |
|  | (1,416,277)                         | -                                 | (1,416,277)                       |
| <b>Charitable activities</b>   |                                     |                                   |                                   |
| Operation of cinema, engagement and creative media projects                            | (2,754,293)                         | (1,480,733)                       | (4,235,026)                       |
| Donated services   | -                                   | (35,647)                          | (35,647)                          |
| CIC operation  | (1,898)                             | -                                 | (1,898)                           |
| Property management costs  | (108,342)                           | -                                 | (108,342)                         |
| <b>Total expenditure</b>   | <b>(4,280,810)</b>                  | <b>(1,516,380)</b>                | <b>(5,797,190)</b>                |
| Net income/(expenditure) before transfers and<br>Net income/(expenditure) for the year | (63,886)                            | 133,767                           | 69,881                            |
| Transfers between funds  | 153,836                             | (153,836)                         | -                                 |
| <b>Net movement in funds</b>   | <b>89,950</b>                       | <b>(20,069)</b>                   | <b>69,881</b>                     |