

**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 2020

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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 2020. 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.

## Introduction

*“My understanding of my community, my city, and my work have changed astronomically because of my engagement with different people doing very interesting and dynamic things from different parts of the world.”*  
Malaika Toyo from Lagos on participating in Watershed’s Creative Producers International programme.

Looking back, to sum up the impact of any organisation across 2019/20 requires some will, as the challenges of COVID-19 now cloud memories of what was achieved. But again this year saw growth and depth in Watershed’s impact:

Thanks to Parasite, we experienced our highest monthly cinema sales, our focus on inclusion saw us launch projects like Creative Workforce for the Future – designed to change the work-place culture of the creative industries in Bristol, and our sector development programmes – including Film Hub South West, South West Creative Technology Network and Creative Producers International, supported, skilled up and championed talent across the world.

As we closed our venue and went into lockdown in March, it was clear that the trust we have built from our community and our strength in online engagement would help us navigate the challenges we have had to face. Watershed is much more than a building - it is a group of amazing staff, audiences, partners, collaborators and friends whose hard work, loyalty and energy has meant we were able to stay open - and that our feeling of togetherness overcomes social and geographic distance.

## 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 million people visited us on the web
- 162,000 people bought tickets for our venue screenings and events
- 30,300 young people engaged with our programme
- 78,500 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
- 4 continents hosted Watershed events or collaborations
- Watershed Group turnover in 2019/20 is £6,072,050
- Pervasive Media Studio residents reported turnover in excess of £12.6 million
- Pervasive Media Studio residents reported secured research funding in excess of £1.3 million

## Strategic report *(continued)*

### Programme Highlights and Report on 2019/20 Priorities

#### Talent and Networks

##### Young People

*"My experience at Rife has been creatively challenging at times but I've gained so much. I've had such an amazing support system in my peers and my mentors which I believe greatly added to my overall experience. I've become a stronger, more rounded professional and for that I'm so grateful!"* Lucy Turner

We launched **Creative Workforce for the Future** to nurture young talent from under-represented groups. Featuring a programme for creative SMEs to develop a more inclusive workforce and a series of industry placements for the young professionals, the project creates links across our programmes as some of the young people are hosted at Rife – our young people's digital platform, and support is based within the Pervasive Media Studio. It is a pilot programme funded by the West of England Combined Authority and the European Social Fund and led by UWE Bristol. Partners include Knowle West Media Centre, Spike Island, Bristol City Council's Bristol Museums and Creative Youth Network and this year we supported 12 placements.

**Rife**, our online youth-led magazine, had 343,804 unique views this year and hosted 32 external contributions including articles exploring power and privilege in the creative industries, ways to boost mental health, tips for starting an office job, the secret lives of girls with high functioning autism.

##### **2019/20 Priority: Launch the Rife book and catalyse fundraising campaign.**

The Rife book, *Rife: 21 Stories from Britain's Youth*, came out last July. Two of the essays were picked up by Vice and Dazed Digital, and the book received strong press coverage locally (Bristol Post, BBC Bristol, Western Daily Press, Bristol 24/7). Unbound have ordered a second print run as sales have gone well. The first print run totaled 255 with 196 copies sold by the end of 2019/20.

##### **Art and Technology**

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.

This year we have had a thematic focus on technology and climate breakdown. Human activities are causing critical planet degradation and the Studio loudly acknowledges that environmental emergencies are pervasive and believes creativity can change the way we think about growth, wealth, consumerism and progress.

Our Micro and Midi Residencies specifically supports artists from Black, Asian and Minority Ethnic backgrounds to develop their practice. Micro residencies have been offered to Rife Alumni, Asmaa Jama, musician Hi-5 Ghost and filmmaker and poet, Zed Regal.

##### **Film Hub**

Watershed is Film Hub Lead organisation for the South West as part of BFI Film Audience Network and in 2019/20 we saw a 42% growth in members - now a total of 178 members across the region. In addition to providing a whole range of sector development opportunities (3,236 participants), we supported audience facing activity that reached admissions of 81,000 (including 41% young people aged 16-30 according to surveys) ranging from the inaugural Cheltenham International Film Festival, Freefest, an LGBTQ+ film festival co-curated with young people at Spring Arts & Heritage Centre in Hampshire to Ordinary/ Extraordinary, an arts and film festival co-curated by and for young people with learning disabilities with Lifeworks Charity at the Barn Cinema in Dartington.

*"Working with the Hub South West has had a major impact on the success of BAIT's release. The Hub were fully behind, and helped enable our strategy for a preview tour, knowing that a strong start and coverage in Cornwall and the South West would help build audience awareness and anticipation nationwide."* - Early Day Films

## Strategic report *(continued)*

Our support for New Film Releases extends to across the UK as part of Film Hub South West's UK wide BFI FAN New Releases programme which backed four film releases including Peanut Butter Falcon distributed by Signature Entertainment with charity Mencap, Hail Satan? distributed by Dogwoof and System Crasher (606 Distribution) which we helped pivot online as the film was due to be released in mid March.

*"FAN has been instrumental in helping us book many more cinemas than we anticipated for this title, as well as significantly boosting our grassroots marketing efforts."* Chloe Abrahams, Dogwoof (Hail Satan?)

In partnership with Bristol based production company Blak Wave Productions and the MANDEM online platform we ran New Voices, an event which profiled Black British Filmmakers who had made work through BFI NETWORK funding.

### **Cinema**

*"Thoroughly enjoyed by my first visit to @wshed today to see Parasite. Perfect way to spend a Monday afternoon, incredible film and great to see every seat filled in this fabulous venue" - @loisclarkart*

Our cultural film programme achieved 152,936 admissions from 3,500 screenings of over 360 films from 54 countries, a result of our consistent approach to putting on a distinctive cultural film offer and audience development. Our approach is twofold: a cross departmental forum to share strategic thinking about specific audience development priorities and externally through partnership working.

We collaborated with over 25 organisations and individuals ranging from ongoing partnerships with UWE, Bristol University and Come The Revolution to new ones such as the Korean Cultural Centre, Reclaim The Frame and We Are Parable. We also worked closely with Ujima and RIFE on targeted promotional campaigns for The Last Tree, Queen and Slim and Eighth Grade.

*"Bristol is rapidly becoming Britain's most cinematic city. Designated a UNESCO City of Film in 2017, its reputation for great cinema screenings and heritage is growing and growing. One of the newest, shiniest gems in its movie crown is Cinema Rediscovered..."* Pamela Hutchinson

Highlights included the fourth edition of Cinema Rediscovered (which saw a 26% increase in admissions from last year and extensive press coverage); a UK wide retrospective of Japanese director Hirokazu Kore-eda in partnership with BFI and Filmic, our annual collaboration with Bristol Beacon (previously Colston Hall) and St George's Bristol exploring the creative connections across film and music. This included three film-related AV commissions from DJ Cheeba and outstanding scores by female composers.

We hosted a range of festivals which allows for a celebratory platformed moment of intense focus on an area including the international talent showcase that is Encounters, Slapstick silent comedy Festival, Palestine Film Festival, Afrika Eye, Shextreme and Feminista; and took part in UK wide seasons such as BFI Musicals and Doc'n Roll.

#### **2019/20 Priority: Put a programme plan in place for a fourth cinema.**

Since the closure of cinemas, our focus has been on providing COVID-19 advice, support, inspiration and funding for members regionally and UK wide through [FAN's The Bigger Picture platform](#). Programme development for a fourth cinema has paused along with the capital development of the fourth cinema.

### **Innovation**

*"The Creative R&D Cluster in Bath+Bristol is a responsible innovation pioneer. Its mission is to break down doors and connect university research with creative businesses and develop a shared vision for tomorrow's creative industries".*

Sam Brown, Doteveryone

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

### **2019/20 Priority: Produce inclusive and engaged Digital Placemaking and Live Theatre pathfinder projects**

Watershed are the Producers of two nationally funded research and development projects worth a total of £13.3m. We have put inclusive innovation at the heart of our methodology employing Inclusion Producers, commissioning Inclusion Fellows and supporting creative SMEs to interrogate inclusion within their own work.

The South West Creative Technology Network aims to expand the use of creative technologies across the south west of England. Partners are UWE Bristol, Watershed, Kaleider and the Universities of Bath Spa, Falmouth and Plymouth. In 2019/20 we drew together our achievements to date in an interim report, they include:

- Deep dive explorations of Immersion, Automation and Data supporting 78 innovation fellows, 40 microgrants, 68 projects, 16 prototypes
- Over £1 million in leveraged funding - commissions, grants, contracts, bursaries
- 12 new businesses created

Bristol+Bath Creative R+D is forging connections, sharing knowledge and creating new opportunities in the technology and creative industries. Partners are UWE Bristol, Watershed, and the Universities of Bristol, Bath Spa and Bath. In 2019/20 we ran our first Pathfinder project, exploring Digital Placemaking through 8 fellowships and 4 prototypes. Digital Placemaking aims to expand our understanding of the intersection of digital and physical space as well as the role of culture in the new digital infrastructure. Our second Pathfinder, Expanded Performance, began by inviting 120 people to workshops in Bristol and Bath.

## **Audiences**

### **2019/20 Priority: Develop a new communications and brand strategy to position Watershed for the next phase of development.**

Over this year we have continued to challenge ourselves to become more inclusive and representative of our city and to positively engage a diverse range of audiences, artists and creative practitioners.

We attract over 400,000 visitors to our building each year and our audiences cross the entire range of activities and projects including cultural cinema, one off events, festivals, artists commissions and new technology showcases and international partnerships.

Underpinning this work is the Watershed Brand, which is authentic, generous, passionate and welcoming. Watershed works to engage new audiences whilst also retaining long-standing, loyal customers and audiences.

Our pricing review continues to ensure we are accessible and affordable whilst providing sustainable income generation. The largest piece of benchmarking work is done in January each year, and this year saw us increase our pricing in February 2020 (the first time in two years). We have continued to keep our pricing structure as simple and straightforward as it has been for many years, with no weekend peak pricing, no hidden charges for booking online or by phone, and ensuring that concession tickets and the Under 24 ticket price are available as standard for every screening, including weekends.

To help deliver our capital plans and ensure that all our creative, written and visual work is coherent and effective we began a Communications and Brand review to inform and help us deliver a new Communications and Branding Strategy with the aim to ensure that our brand equity continues to grow among all our stakeholders. Whilst we made good progress with this work it was halted due to COVID-19 and our enforced closure.

### **2019/20 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.**

The increasing intersectionality of our strategic audience priorities is something that we have recognised more and more in our audience development work and the importance of working in partnership to collaborate on programming and communications.

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

We developed our Access Register for audience members to sign up to. The benefits of signing up are that audience members only need to give us their access requirements once. Having to repeat their requirements every time they book is not a great customer experience. Audiences on the access register will be able to book online using their account knowing we have the correct information to ensure their visit is enjoyable and relaxing.

### **2019/20 Priority: Develop an approach for cross promotion with programme and Pervasive Media Studio**

Learning from the success of our audience development approach with cultural cinema, we looked at the same model to ensure we maximise opportunities across our Creative Technology programme in relation to audience development and reach.

Working together to plan, identify and prioritise these crossover points we now have an effective meeting/ planning and internal information system in place to reflect on past work and look ahead to help boost the messaging about the continued success of our Studio Residents:

- Pervasive Media Studio Residents Amongst Top 35 XR Installations of 2019
- Bristol Light Festival lights up the city and includes work from Pervasive Media Studio Residents
- Watershed supported artists scoop top awards at the International Documentary Festival Amsterdam

## **International**

In 2020 we brought Creative Producers International (CPI) to its culmination with a final Digital Lab (in collaboration with Fred Deakin) and a series of visits that leveraged the power of the programme into the next stage of our international work; connecting local talent development with global networks.

Creative Producers International built an international network of ambitious cultural leaders – a team of change makers who reflect, challenge and explore the cultural dynamics of cities across the world.

We supported 15 individual practitioners towards new skills, jobs, products, programmes and the establishment of new companies, reached audiences of 287,562 and leveraged £312,517 into the programme through ticket sales, sponsorship, partnership and city-based funding.

### **2019/20 Priority: Deliver a major Playable City programme 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 were cancelled due to COVID-19 and the cancellation of the Games.

## **People**

With people at the core of our operations, mental health and wellbeing are pivotal to the organisation. We successfully rolled out our mental health first aid service to the entire organisation. Our mental health first aid team consists of 16 people, including staff from Box Office, Front of House, Café/Bar and Events. The initial focus of the programme was to provide mental health first aiders confidence in being a point of contact for staff experiencing emotional distress or a mental health issue. The next steps are engaging mental health first aiders to further embed the programme at Watershed and implementing a wellbeing policy.

Watershed seeks to be inclusive across all areas of its business and has been rated as strong by Arts Council England consistently. Our Inclusion Working Group meets monthly and features team and board members to explore how we can remove physical, social, economic, cultural and attitudinal barriers to engaging with Watershed.

Our aim is to ensure our audiences represent the population of Bristol. In 2019/20 audiences from a Black, Asian and Minority Ethnic background were 11% (5% below our target figure of 16%). Diversity in our Young People's programmes is particularly strong, in 19/20 19% of Rife applicants were from a Black and Minority Ethnic background, and 17% received free school meals. For BFI Film Academy, 35% of our participants were from a Black and Minority Ethnic background and 30% received free school meals.

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

The Pervasive Media Studio runs a paid micro residency for emerging artists from a Black and Minority Ethnic background and is an Unlimited Ally to ensure development opportunities are accessible to deaf/disabled artists. Disabled representation in the Studio was 18% of responders to the Studio survey. 19% of responders to the survey identified as Black and Minority Ethnic which is an increase of 3% from 2018/2019.

### **2019/20 Priority: Deliver a joined up and inclusive human resources strategy**

Currently 7% of staff members are from Black, Asian or minority ethnic backgrounds and 17% of our board.

We have not met our own targets to develop staff diversity and although significant progress has been made on components of an inclusive human resources strategy, our aim is to deliver a comprehensive people strategy in 2020/21.

## **Capital development**

### **2019/20 Priority: Secure funding and permissions for the phase 1 capital development**

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

We received the planning and listed building consents for Phase 1 on 24 July 2019. The total estimated budget for Phase 1 is £1.5M with £1.1M design and construction costs. Funding received for phase 1 includes £300K from Trusts and Foundations and a RIF loan from the West of England Combined Authority for £500K pending Bristol City Council approval. Fundraising and tendering have been put on pause due to COVID-19.

Watershed also progressed plans for its phase 2 expansion, working with planning consultants Avison Young to agree a strategy to achieve planning consent.

## **Monitoring and Evaluation**

A thorough organisational approach to evaluation, data collection and analysis gives us in-depth knowledge of our audiences. As well as gaining insight into our box office data through the Arts Council funded audience data and development programme Audience Finder, we continue to gain deeper insight by implementing event specific email surveys using Culture Counts, and through our regular face to face surveys.

We set realistic targets for success on specific projects and campaigns to help us monitor the impact of our work and ensure clarity around who our target audiences are. Working as a team across Communications, Programming, Engagement, Front of House, Box Office and Trading (Café/Bar, Kitchen and Events) we have been able to create shared priorities, objectives and goals and expectations of programmes and events in relation to audience development – all of which helps with motivation and understanding across the teams.

## **Systems Review**

### **2019/20 Priority: Implement ticket scanners and new office software and deliver the business case for new operations systems**

A complete systems review and strategic plan was presented to the Executive and Senior Management team after an in-depth study into the systems and workflows used across all Watershed's departments. The review highlighted key requirements including streamlining operational processes (to improve efficiency and optimise internal resources), developing the ability to query system databases in order for greater access to business insight and analytics across the organisation, and effective project management tools to enable open communication between teams. Priority systems implemented in 2019/2020 include;



## Strategic report *(continued)*

- A new EPOS system in the Café/Bar to improve efficiency to workflows for café bar and finance, improved reporting capabilities, improved stability of hardware
- Implementation of Office 365 and Microsoft Teams as the main internal communication, and document storage platform
- A move to Microsoft Outlook to streamline the organisation's email and calendaring system.

## Finance

**2019/20 Priority: Further develop a funding and cash flow strategy for the capital development. Develop a finance strategy to meet the living wage.**

A narrative on the capital development and progress against targets is provided on page 7.

We remain committed to achieving a living wage for all staff and are reviewing our strategy in light of the impact of COVID-19 on our business. In 2019/20, tiered pay increases were awarded to staff with those at the lower end of the pay scale receiving a higher percentage increase, above the rate of inflation.

## 2020 - 2021 Organisational Priorities

For the last five years, Watershed has been on a trajectory of growth, represented most clearly by our plans for capital expansion. Our post-COVID-19 vision requires a different sort of ambition, where stabilisation sits alongside addressing the business challenges that we were previously seeking to solve through growth. Alongside survival, which will continue to draw energy from our reduced capacity, our emphasis and attention in the next period must also address:

- 1) Culture: addressing our responsibilities around pay, inclusion, wellbeing and our environmental footprint
- 2) Business transformation: robust review of existing and potential future business areas to ensure we have a viable plan for stability

Our main priorities for the coming year are therefore focused and few:

## People

- Create departmental inclusion plans and targets
- Develop and publish an updated people strategy
- Agree a financial plan to meet Living Wage

## Business Development

- Research and agree a fundraising strategy and capacity
- Review and update the business plan and model in light of COVID-19
- Review brand strategy in light of the paused capital development

## Structure

- Restructure Watershed finance provision

## Risk Management

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

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

## Strategic report *(continued)*

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

The risk register is created and reviewed by the Board and the Executive team.

Watershed's risk management strategy involves maintaining:

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

The Trustees consider that adequate controls are in place to mitigate the key risks identified in its risk register. Watershed's assessment of risk has been reviewed in light of the Coronavirus pandemic.

## Financial review

### Overview

The consolidated balance sheet set out on page 26 shows a decrease in unrestricted income funds (excluding the head lease unrestricted designated fund and Capital designated fund) of £11,165 in the year (2019: increase of £93,477).

Some of the decrease 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, the Creative Producers international programme and activity around the RIFE programme.

Overall, designated programme funds have increased by £12,621.

The consolidated results set out on pages 24 to 26 show a surplus of £2,069,470 for the year (2019: deficit of £101,946). The surplus on unrestricted funds for the year totalled £2,133,979 (2019: surplus of £37,732). This is primarily due to the re-valuation of the head lease in July 2019 and a subsequent change in accounting treatment. Further details are provided in notes 1, 13, 20 and 21.

### Subsidiary Company Results

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

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

Watershed Trading Limited generated profits before tax of £33,255 (2019 as restated: loss of £38,224) after donations of £166,609 (2019 as restated: £205,848) through gift aid to the Charity, based upon the previous year's trading. Trustees took the decision not to gift aid profits to the Charity in 2020/21 based upon trading in 2019/20 in order to maintain sufficient cash flow within the Trading Company to manage the substantial impact of COVID-19 on trading operations from March 2020 onwards. See note 6 for details of the restatement regarding gift aid.

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

- Café/bar food and liquor sales generated £1,263,936 (2019: £1,236,431).
- Conference sales generated £503,621 (2019: £473,825).

## Strategic report *(continued)*

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.

In the year, **Watershed Ventures CIC** made no donations (2019: nil) through gift aid to the Charity and generated a loss before tax of £1,571 (2019: loss of £1,073) and total revenue of £3 (2019: £nil).

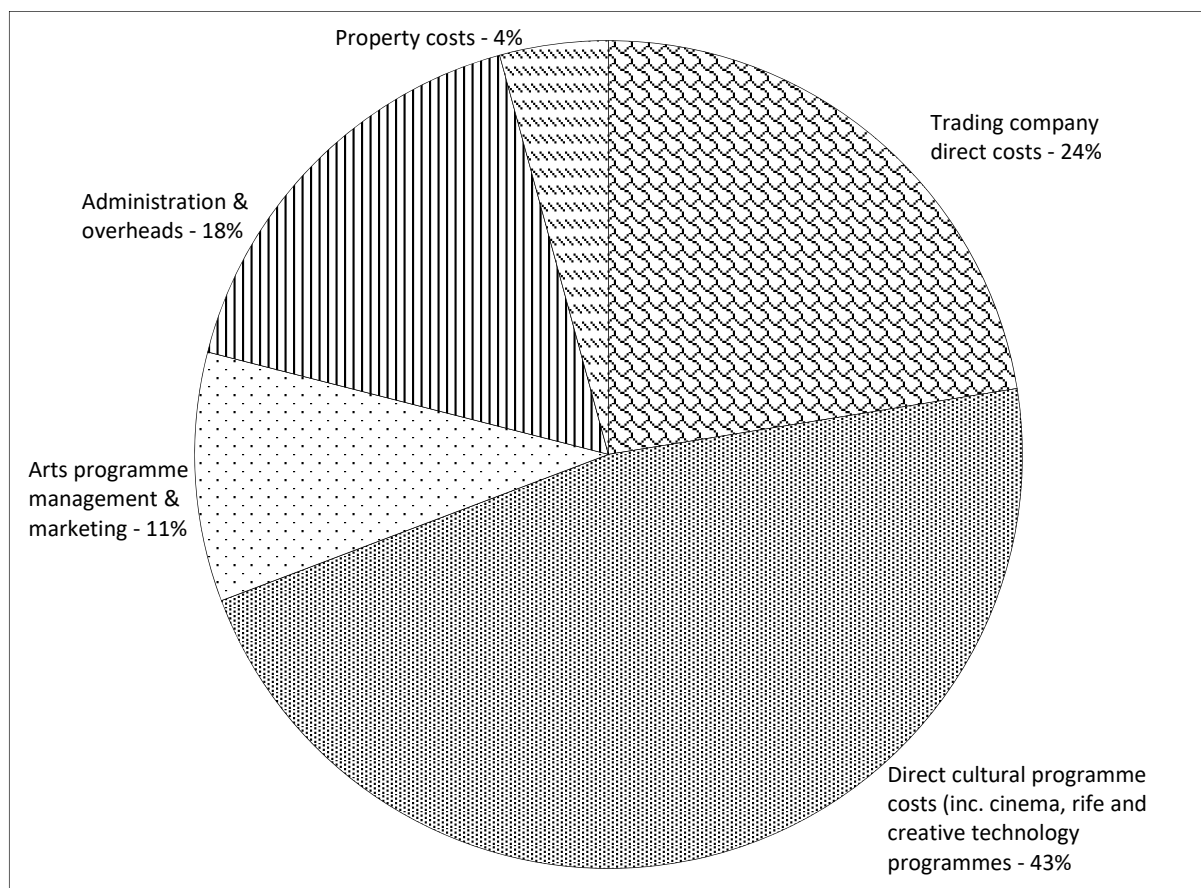
No activity was undertaken by Watershed Ventures in 2019/20 and no activity is currently planned for the 20/21 financial year.

### **Operating model**

The operating environment in which Watershed operates is both complex and volatile. Watershed's operating model is underpinned by a diverse range of income streams and is designed to enable Watershed to adapt to changing circumstances and maximise opportunities, providing both flexibility and resilience.

The delivery of Watershed's creative programme accounts for 43% of Group expenditure (including associated staff costs). This activity is supported by a mix of income streams including earned income from cinema ticket sales, grant funding and one-off contracts for services.

The chart below shows Watershed's expenditure profile in 2019/20.



## Strategic report *(continued)*

### **Cost efficiency**

Watershed actively seeks to ensure value for money whilst maintaining quality. Overhead and administration costs are reviewed annually as part of the budgeting process. Systems and processes are regularly reviewed to enable efficiency savings to be made wherever possible, ensuring a streamlined and cost-effective operation.

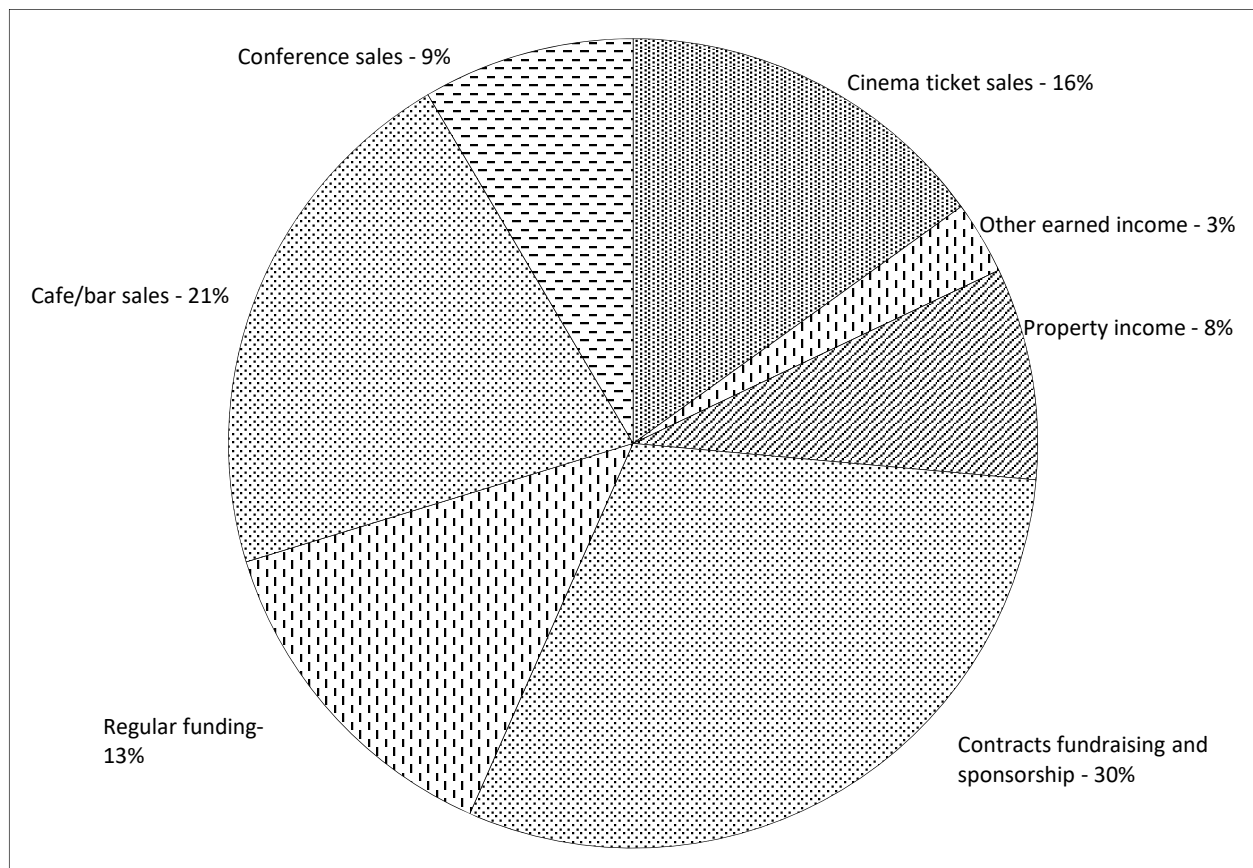
Key contracts are put out to tender as deemed appropriate and suppliers are carefully selected to balance quality and cost.

### **Financial monitoring and control**

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

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

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



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

Watershed's income portfolio includes:

### **Restricted Programme Funds**

Programme funds received through partnership agreements, restricted project grants and contracts for services account for the most significant percentage of Watershed's income (30% in 2019/20).

Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2019/20 programme funds totalled £1.7 million.

Principal funding partners in the year included the University of the West of England (UWE), University of Bristol (UoB), Arts Council England (ACE), British Film Institute (BFI) and West of England Combined Authority (WECA).

### **Unrestricted Grants**

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council (as a Key Arts Provider). Although these funds account for a relatively small portion of Group turnover (13%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer. 2019/20 is the second year of renewed 4-year relationships with both funders.

ACE funding is set to remain at a standstill over the duration of the funding agreement whilst funding from BCC was reduced by 35% in 2018/19 and will reduce by a further 25% in year 4 of the agreement.

Watershed constantly seeks to minimise its reliance on public subsidy by actively working to maximise existing income streams and develop new ones.

### **General Fundraising**

In the 2019/20 financial year Watershed secured £92,383 (2019: £94,172) from fundraising through individual giving and private sponsorship. Of this amount the sum of £62,782 (2019: £65,186) was secured to support our talent development programme for young people, with a focus on Rife, Watershed's on-line magazine for young people.

In addition, Watershed secured a total of £300,000 from trusts and foundations towards phase 1 of its capital development programme. This programme is currently delayed due to COVID-19. Further details are provided in capital section on page 7.

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

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 30% of Group turnover.

Café/bar sales in the year were the second highest we have ever achieved despite the forced closure of the building in mid-March. Sales margins were also excellent. This has been achieved through the delivery of a carefully designed, versatile offer which is easily adapted to meet customer demand. Visitors are offered a range of options with a corresponding price range including small bites, food to share and full meals. Our wide ranging liquor offer includes our own Watershed brand Gin and many locally sourced products.

The café/bar forms the social heart of the organisation and not only provides a financial contribution but also provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values.

Conference sales in the year exceeded those of any previous year and show a 6.3% increase on 2018/19.

Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Towards the end of the year Watershed introduced a new broadcasting package to provide clients with a professional, high spec on-line experience for conference delegates. This will be developed further in the coming year as the ability to meet and communicate virtually becomes increasingly important.

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

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme, for example Encounters Festival. Watershed maintains a fine balance between generating commercial profits and supporting the creative outputs of the Arts Trust.

### **Cinema sales**

Cinema ticket sales accounted for 16% of Group turnover in 2019/20. Performance in the year is consistent with a long term growth trend and audiences show a 4% increase on the previous year.

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.

Ticket prices were increased in February 2020 to reflect trends across the cinema sector and increased delivery costs. In line with our pricing policy, concessionary tickets for the under 24s were excluded from the increase 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, Watershed successfully concluded an arbitration process to settle a rent review on one of its tenancies. These rentals provide a vital income stream enabling Watershed to continue to invest in creative opportunities.

Watershed's Studio 5 co-working space (established in 2018/19) housed several small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate. Although the Studio 5 concept has shown a promising start, occupancy in the year fell short of expectations and we will review the operating model in the coming year. This is of particular relevance in the current operating environment where social distancing restrictions are in force.

The impact of COVID-19 on these income streams and on Watershed's business as a whole is explained in the Coronavirus Impact section below.

## **Coronavirus (COVID-19) Pandemic**

### **COVID-19 impact**

The unprecedented situation caused by COVID-19 has challenged Watershed's risk management strategy to the full.

Watershed was thriving before lockdown. Every part of our business was growing, with cinema sales in February 2020 the highest ever on record. We had begun a capital expansion programme (phase 1 new cinema / café bar, phase 2 extended innovation spaces) to meet rising demand and capitalise on financial opportunity.

When we shut the building to the public on 17 March 20, 46% of our trading income was immediately curtailed through the loss of sales from the Café/bar, conferencing and cinema (including cinema advertising revenue). In 2019/20 these sales totalled approximately £2.7 million.

In the period 1 April 20 to 31 March 21 we are projecting sales from these sources to decrease to around £140,000 as a result of enforced closures during the year. Watershed remained closed from April 20 to the end of August 20 and was again forced to close its doors from 5<sup>th</sup> November, re-opening for a short period during December. With lockdown continuing into 2021 Watershed is not expecting to open again in the 2020/21 financial year.

We are also projecting a reduction in revenue from our head lease tenancies due to the inability of café/bars occupying these to fully meet their lease obligations. We have reached individual agreements with our tenants to grant temporary concessions over the amount and timing of rental payments due for the 2020/21 financial year.

As a result, we are currently projecting a 29% reduction in income associated with head lease tenancies. We continue to communicate with our tenants to gauge the likelihood of further requests for concessions or failure to meet agreed payment arrangements and the impact this may have on our budget and cash flow position going forward.

## Strategic report *(continued)*

However, core funding from ACE and BCC continued as did our project funding for areas of our creative programme such as Creative Workforce for the Future, Bristol+Bath Creative R&D and the South West Technology Network. Watershed's technical resource and expertise enabled these activities to continue throughout lockdown operating in a digital environment.

### COVID-19 risk mitigation

Without taking any measures, Watershed would have become insolvent by August 2020. However, a swift response by Watershed's Trustees and Executive ensured that Watershed remained viable in the short term and subsequent strategies actioned ensure that Watershed remains a viable concern.

Measures taken to mitigate the immediate impact are:

- Furloughing of 88 staff who were unable to work from home supported by the Government job retention scheme
- Implementing a 20% pay cut for all staff from 4 May 2020 to 1 Sept 2020. Our Chief Executive Officer took a pay cut of 30%
- A review of our staffing levels and potential staffing needs going forward. This resulted in a redundancy process and organisational restructuring (sadly necessitating the loss of 35 posts)
- Pausing the tendering of our Phase 1 works and the application for planning consent for Phase 2 capital expansion works

As a contingency, Watershed's Trading Company successfully applied for a £200,000 CBILS loan. The loan supports commercial activity only and is seen by the Board as a high risk short term survival strategy given current conditions. The Board has accepted the loan, which is not under guarantee by the Charity.

These measures ensured the liquidity of the operation during periods of the government lockdown and enabled us to develop our plans for re-opening under changed circumstances and develop our strategic thinking for a longer term adaptation to an increasingly volatile operating environment.

### Re-opening

Watershed initially re-opened its doors to the public on 1 September 20. Our re-opening model was put together by a cross-departmental team informed by audience and staff surveys, government guidelines and industry best practice to create the most financially efficient and safe model.

New social distancing requirements have had a massive impact on Watershed's ability to generate earned income from cinema ticket sales, café/bar sales and conferencing. These sales accounted for 46% of our income in 2019/20.

To mitigate risk and remain a going concern Watershed has had to make substantial changes to its operations.

- **Building opening hours:** Access to the public has been reduced from 7 days a week to 6. Watershed's building is now closed on a Monday.
- **Cinema:** Social distancing measures introduced in September 2020 have reduced cinema capacity from 340 seats across the 3 screens to an average of 93 seats. To mitigate the risk of losing money on individual screenings cinema opening hours are reduced from 7 days a week to 4 (open Thursday to Sunday). Financial losses are further mitigated by a staff restructuring which has resulted in a significant reduction in staff costs.
- **Creative Programme:** we continue to deliver our funded sector/talent development programmes – including the Pervasive Media Studio, Film Hub SW, Bristol and Bath Creative Clusters, South West Technology Network and Rife ensuring that freelancers/creatives continue to receive support. We have secured new funding to explore environmental sustainability and to undertake an inclusive futuring programme. We are working with UWE to establish a research programme into accessible hybrid venues of the future.

## Strategic report *(continued)*

- **Café/bar:** Social distancing measures introduced in September 2020 have reduced café/bar capacity significantly. To make the café/bar a viable proposition we have introduced an online ordering system, reduced menu options, and restructured our staffing to reduce costs. Current forecasts assume 7% of our usual annual sales for the short periods in which our café is able to open in 20/21. Financial losses are further mitigated by a staff restructuring which has resulted in a significant reduction in staff costs. In addition we have taken the decision to close the building on a Monday, usually our quietest day of the week.
- **Conferencing and Events:** We have continued to develop our “Live from Watershed” online events package to boost our capacity to generate sales virtually.
- **Fundraising:** We continue to seek additional funds through government and other grants, Trusts and Foundations and individual giving to secure our future. During the March to September 20 period of closure we secured around £16k in donations from our supporters.

This model has remained in place during periods in which Watershed has been allowed to open throughout 2020/21 and will remain in place as Watershed develops its plans for the future.

In October 20, Watershed received confirmation of a £731,993 grant from the Arts Council’s Cultural Recovery Fund. These funds provide Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Whilst we expect social distancing restrictions to be lifted from September 21 and our cinema, café/bar and events business to gradually return to usual trading levels, our base assumption errs on the side of caution and assumes that the operating model currently in place will continue until the end of the 2021/22 financial year.

Budget and cashflow forecasts as at February 21 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21 and 2021/22 financial years to continue operating without impediment. Free reserves at the end of 2020/21 are not expected to fall below 2019/20 levels.

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

### Future Resilience

Our mixed business model has been the source of Watershed’s financial resilience, but also means that we are highly leveraged – each area of the business contributes to the viability of the others and there is no clear area of business reduction or change we could immediately take advantage of without significant remodelling. Over the next 6 months we will undertake a business review to refine our model, create a new membership scheme and explore hybrid international collaboration models with development costs factored into the budget.



## Strategic report *(continued)*

### Reserves policy

Watershed's reserves policy was reviewed in light of the Coronavirus Pandemic at a meeting of the Trustees in September 20.

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.

Why we hold reserves:

#### Operational

Managing variations in cash flow requirements.

#### Risk

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 conditions.

#### 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).

#### 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 the equivalent of 3 months of Group operating costs. This translates to a current target of £850,000 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 (£244,717) 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.

## Strategic report *(continued)*

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

### Current level of reserves

Watershed 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). 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 plans for major capital development whilst funding is secured to support the venture. The development costs of phase 2 of the plans (£75,172) have been written off in the year as it has become apparent that this phase will be substantially delayed due to the impact of the COVID pandemic on the business. Costs for phase 1 of the plans (£211,106 at the end of 2019/20) are treated as an asset on Watershed's balance sheet. Grant funding received for the project totalling £100,000 is retained on the balance sheet as restricted capital funds.

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 the Bristol + fund in the 2020/21 financial year.

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds.

As at 31 March 2020, Watershed's reserves comprise\*:

General fund	£ 563,188
Designated fund – Bristol +	£ 244,717
Rife designated fund	£ 14,662
Film Hub designated fund	£ 63,962
CPI designated fund	£ 12,977
Clusters designated fund	£ 57,206
<u>Van Neste designated fund</u>	<u>£ 30,000</u>
<b>Total</b>	<b>£ 986,712</b>

\*note – net current assets available at 31 March 2020 stand at £618,864

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

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

Head lease designated fund	£5,504,856
Capital designated fund	£ 709,544
Revaluation reserve	<u>£1,435,600</u>
<b>Total</b>	<b>£7,650,000</b>

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

## Trustees' report

### Structure, governance and management

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

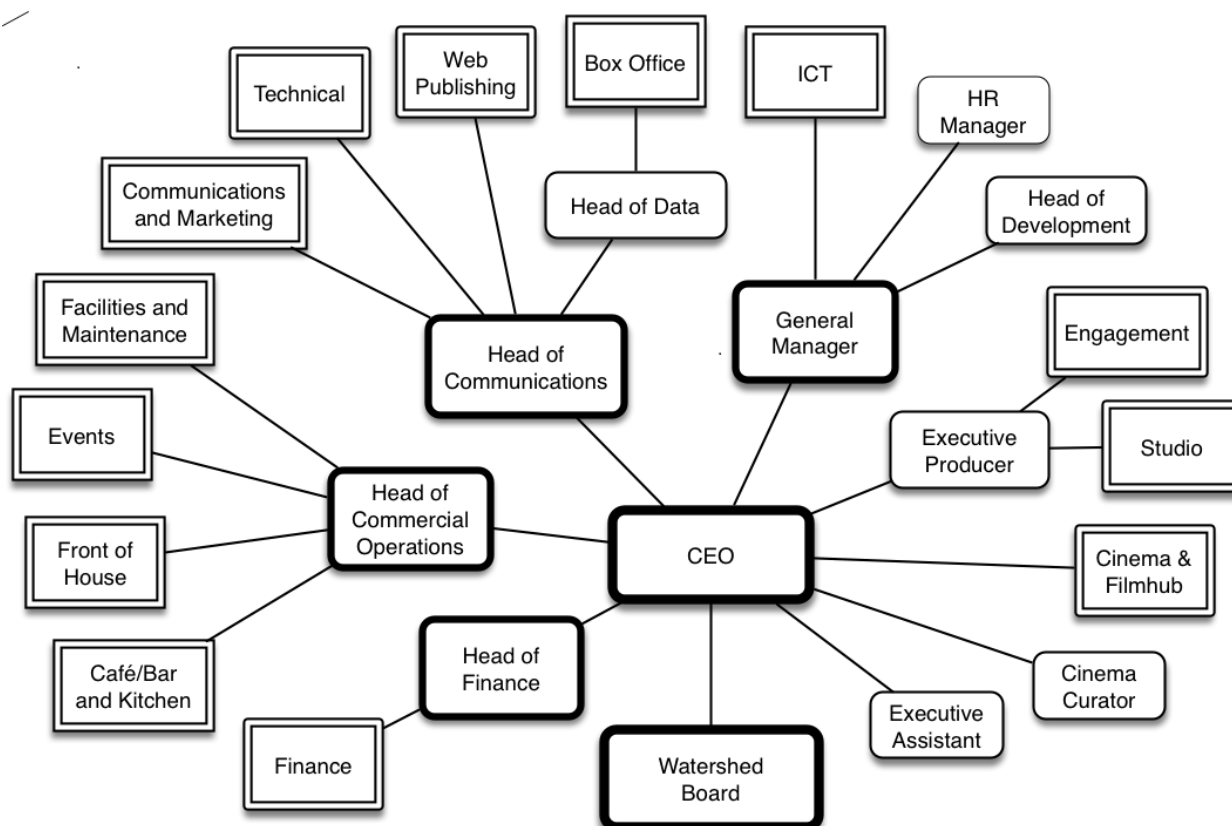
Watershed's governance structure reflects and supports the Group structure and its organisational core values, culture and needs. It provides the management capacity and expertise to deliver Watershed's overall aims and objectives.

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 four senior managers, report to the Chief Executive Officer. In the year, a new post of General Manager was appointed. The role takes on responsibility for business development, as we continue to develop our model.

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 2019/20 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)

P. Appleby

D. Bunyan

S. Cooper

J. Durrant

S. Eugene-Hart

P. Gardener (appointed 25 September 2019)

L. Gardner

S. Gatfield

S. Lovegrove (appointed 26 June 2019, resigned 30 June 2020, re-appointed 15 October 2020)

S. Wilson

Councilor E. Tincknell (resigned 12 February 2020)

J. Roscoe

## 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:- **24 March 2021**

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 2020 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 2020 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 group's or 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 which includes the Strategic Report.

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

- adequate accounting records have not been kept, 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 19, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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
	Clifton, Bristol
Date: 30 March 2021	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 2020

	<i>Note</i>	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2020</b>	<b>Total Funds 2019</b>
		£	£	£	£
<b>Income</b>					
<b>Voluntary income</b>					
<i>Donations and legacies</i>					
Individual giving		92,383	-	92,383	94,172
Donated services		28,003	-	28,003	35,019
Regular grant funding	4	812,289	-	812,289	812,289
<i>Other trading activities</i>					
Commercial trading operations	6/7	1,814,197	-	1,814,197	1,743,416
<i>Investment income</i>					
Interest receivable		187	-	187	226
		<u>2,747,059</u>	<u>-</u>	<u>2,747,059</u>	<u>2,685,122</u>
<b>Income from charitable activities</b>					
Earned income from cinema activities		942,754	-	942,754	916,714
Rental income		274,800	-	274,800	216,292
Service charges		191,442	-	191,442	190,608
Other earned income		110,881	-	110,881	100,467
Programme funds	4	21,098	1,680,269	1,701,367	2,092,508
		<u>1,540,975</u>	<u>1,680,269</u>	<u>3,221,244</u>	<u>3,516,589</u>
<b>Other income</b>					
Capital grants		-	103,747	103,747	39,509
<b>Total income</b>		<u><b>4,288,034</b></u>	<u><b>1,784,016</b></u>	<u><b>6,072,050</b></u>	<u><b>6,241,220</b></u>
<b>Expenditure</b>					
<b>Costs of raising funds</b>					
Fundraising costs	8	(54,570)	-	(54,570)	(53,773)
Commercial trading operations	6	(1,412,532)	-	(1,412,532)	(1,382,258)
		<u>(1,467,102)</u>	<u>-</u>	<u>(1,467,102)</u>	<u>(1,436,031)</u>
<b>Charitable activities</b>					
Operation of cinema, engagement and creative media projects	9	(2,813,362)	(1,680,269)	(4,493,631)	(4,745,343)
Donated services		(28,003)	-	(28,003)	(35,019)
CIC operation	7	(1,692)	-	(1,692)	(1,152)
Property management costs		(157,296)	-	(157,296)	(125,621)
Reversal of depreciation (Head lease revaluation)	13	709,544	-	709,544	-
<b>Total expenditure</b>		<u><b>(3,757,911)</b></u>	<u><b>(1,680,269)</b></u>	<u><b>(5,438,180)</b></u>	<u><b>(6,343,166)</b></u>
Net income/(expenditure) before transfers and		530,123	103,747	633,870	(101,946)
Net income/(expenditure) for the year					
Transfers between funds	20	168,256	(168,256)	-	-
<i>Other recognised gains and losses</i>					
Gains on revaluation of head lease	13	1,435,600	-	1,435,600	-
Net movement in funds		<u>2,133,979</u>	<u>(64,509)</u>	<u>2,069,470</u>	<u>(101,946)</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		6,502,733	1,472,847	7,975,580	8,077,526
<b>Total funds carried forward</b>		<u><b>8,636,712</b></u>	<u><b>1,408,338</b></u>	<u><b>10,045,050</b></u>	<u><b>7,975,580</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 2020

	2020	2019
	£	£
<b>Cash flows from operating activities</b>		
Net (outgoings)/income	633,870	(101,946)
Depreciation of tangible assets	275,322	331,545
Depreciation write-off (head lease)	(709,544)	-
Loss on disposal of fixed assets	75,172	-
Taxation	(2,498)	89
Change in trade and other debtors	297,328	27,691
Change in stocks	(827)	2,518
Change in trade and other creditors	255,524	(75,184)
	<hr/>	<hr/>
<b>Net cash flow generated from operating activities</b>	<b>824,347</b>	<b>184,713</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible assets	(270,596)	(253,718)
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>(270,596)</b>	<b>(253,718)</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	967,354	1,036,359
	<hr/>	<hr/>
Cash at bank and in hand at end of year	<b>1,521,105</b>	967,354
	<hr/> <hr/>	<hr/> <hr/>

## Analysis of changes in net debt

	At 1 April 2019	Cashflows	At 31 March 2020
	£	£	£
Cash	967,354	553,751	1,521,105
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>967,354</b>	<b>553,751</b>	<b>1,521,105</b>
	<hr/>	<hr/>	<hr/>

## Consolidated and company balance sheets

at 31 March 2020

	Note	Group		Charity	
		2020	2019	2020	2019
		£	£	£	As restated £
<b>Fixed assets</b>					
Tangible assets	13	9,461,440	7,396,194	9,427,241	7,370,717
Investments	14	-	-	50,101	50,101
		<u>9,461,440</u>	<u>7,396,194</u>	<u>9,477,342</u>	<u>7,420,818</u>
<b>Current assets</b>					
Stocks	15	14,942	14,115	-	-
Debtors	16	332,172	629,500	268,418	558,866
Cash at bank and in hand		1,521,105	967,354	1,112,693	570,116
		<u>1,868,219</u>	<u>1,610,969</u>	<u>1,381,111</u>	<u>1,128,982</u>
<b>Creditors: due within one year</b>	17	<b>(1,249,355)</b>	<b>(993,871)</b>	<b>(1,057,994)</b>	<b>(784,669)</b>
<b>Net current assets</b>		<b>618,864</b>	<b>617,098</b>	<b>323,117</b>	<b>344,313</b>
<b>Total assets less current liabilities</b>		<b>10,080,304</b>	<b>8,013,292</b>	<b>9,800,459</b>	<b>7,765,131</b>
<b>Creditors: due after more than one year</b>	18	<b>(29,690)</b>	<b>(29,690)</b>	<b>(29,690)</b>	<b>(29,690)</b>
<b>Provisions for liabilities and charges</b>	19	<b>(5,564)</b>	<b>(8,022)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>10,045,050</b>	<b>7,975,580</b>	<b>9,770,769</b>	<b>7,735,441</b>
<b>Unrestricted income funds - general</b>	20	<b>563,188</b>	511,802	<b>288,907</b>	271,663
<b>CPI – unrestricted designated fund</b>	20	<b>12,977</b>	25,000	<b>12,977</b>	25,000
<b>Clusters – unrestricted designated fund</b>	20	<b>57,206</b>	78,873	<b>57,206</b>	78,873
<b>Rife– unrestricted designated fund</b>	20	<b>14,662</b>	14,662	<b>14,662</b>	14,662
<b>Film Hub – unrestricted designated fund</b>	20	<b>63,962</b>	47,651	<b>63,962</b>	47,651
<b>Van Neste unrestricted designated funds</b>	20	<b>30,000</b>	-	<b>30,000</b>	-
<b>Bristol + unrestricted designated fund</b>	20	<b>244,717</b>	319,889	<b>244,717</b>	319,889
<b>Head lease unrestricted designated fund</b>	20	<b>5,504,856</b>	5,504,856	<b>5,504,856</b>	5,504,856
<b>Capital unrestricted designated funds</b>	20	<b>709,544</b>	-	<b>709,544</b>	-
<b>Revaluation reserve (head lease)</b>		<b>1,435,600</b>	-	<b>1,435,600</b>	-
<b>Restricted capital funds</b>	21	<b>1,408,338</b>	1,472,847	<b>1,408,338</b>	1,472,847
<b>Total funds</b>		<b>10,045,050</b>	<b>7,975,580</b>	<b>9,770,769</b>	<b>7,735,441</b>

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 surplus of £2,035,328 (2019: deficit of £62,609).

These financial statements were approved by the Board on 24 March 2021 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.

#### **Going concern**

The unpredictability of the current pandemic has led the Board to err on the side of caution in our assumptions going forward and base forecasts utilised in assessing going concern take a pessimistic view of our operating environment in the 2020/21 and 2021/22 financial years.

Whilst the Board predicts that trading restrictions and social distancing requirements will be lifted by September 2021, for the purposes of assessing going concern, the Board have assumed that social distancing measures will remain in place limiting Watershed's capacity throughout this period and that the operating model currently in place will continue until the end of the 2021/22 financial year.

The viability of this model is made possible by:

- the measures Trustees and management have taken to mitigate financial loss, including staffing reductions
- securing additional funding of £731,993 from the Arts Council's Cultural Recovery fund
- the continued support of the Charity's regular funders (Arts Council England, British Film Institute and Bristol City Council)
- continued delivery of talent development and creative r&d programmes supported by existing funding agreements and contracts for services which are confirmed as continuing throughout the COVID pandemic
- a CBILS loan of £200,000 to support the Trading subsidiary

Budget and cashflow forecasts as at December 20 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21 and 2021/22 financial years to meet its financial obligations.

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

#### **Basis of consolidation**

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2020.

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.

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

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

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

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

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

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

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

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

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

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

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

### ***Expenditure***

All expenditure is accounted for on an 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.

## 1 Accounting policies (continued)

### **Taxation**

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

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

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

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

### **Fund accounting**

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

#### **Restricted funds**

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

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

#### **Unrestricted funds**

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

#### **Designated funds**

The 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 2019/20, these costs total £211,106 and are being treated as an asset on Watershed's balance sheet.

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

In 2019/20 a new designated fund was established to ring fence funds received from the Van Neste Foundation to support the Rife programme of activity scheduled to take place in 2020/21. Funds total £30,000 at the end of 2019/20.

In 2019/20 the sum of £709,544 was transferred from the general fund to a new capital fund. This represents the reversal of the depreciation charges on the head lease.

In 2019/20 the sum of £1,435,600 was transferred from the general fund to a separate revaluation reserve. This represents the uplift in value of the head lease.

### **Subsidiaries**

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Fixed assets and depreciation

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

Fixed assets are subject to a policy of cost and depreciation, except for the head lease. During 2019/20 it was decided to adopt a policy of revaluation for the head lease asset. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Furniture and fittings 10% - 20% per annum

Plant and equipment 10% - 33% per annum

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

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

Leasehold improvements

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

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

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

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

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

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

Acquisition of the head lease 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.

Previously depreciation was provided on a straight line basis over a 111  $\frac{3}{4}$  year period (the unexpired term of the lease).

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

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

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

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

**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.

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

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

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



**Notes** (continued)

**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 2020 there were 12 members.

**4 Grant and project income receivable**

	Deferred as at 1 April 2019 £	Cash received & receivable 2019/20 £	Credited to income & expenditure 2019/20 £	Transferred to capital grants 2019/20 £	Deferred as at 31 March 2020 £
<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	-	10,348	(10,348)	-	-
<b>Unrestricted other project funding</b>					
Other	-	10,750	(10,750)	-	-
<b>Total other grants</b>	<b>-</b>	<b>21,098</b>	<b>(21,098)</b>	<b>-</b>	<b>-</b>
<b>Restricted</b>					
<b>Programme funding - grants</b>					
Arts Council England	51,890	171,134	(223,024)	-	-
British Film Institute	-	860,625	(693,875)	-	166,750
HE Sector	98,576	790,763	(547,468)	-	341,871
Other grants	-	77,579	(74,201)	-	3,378
<b>Programme funding - other</b>					
Other project funds	17,112	129,109	(141,701)	-	4,520
<b>Total programme funds</b>	<b>167,578</b>	<b>2,029,210</b>	<b>(1,680,269)</b>	<b>-</b>	<b>516,519</b>
<b>Total</b>	<b>167,578</b>	<b>2,862,597</b>	<b>(2,513,656)</b>	<b>-</b>	<b>516,519</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 2020 for the charity was £4,629,344 (2019 (as restated): £4,903,415). The overall net incoming resources for the year was a surplus of £2,035,328 (2019 (as restated): deficit of £62,609), with a surplus of £2,099,837 (2019 (as restated): surplus of £77,069) on unrestricted reserves. The comparatives here are restated due to a timing adjustment – see note 6 for further details.

**Notes** (continued)

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

	<b>2020</b>	2019
	<b>Total</b>	As restated
	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>1,819,854</b>	1,749,684
Cost of sales	<b>(1,258,276)</b>	(1,217,721)
	—————	—————
<b>Gross profit</b>	<b>561,578</b>	531,963
Administration and other costs	<b>(156,714)</b>	(164,497)
	—————	—————
<b>Trading profit</b>	<b>404,864</b>	367,466
Other income	-	-
	—————	—————
<b>Net income</b>	<b>404,864</b>	367,466
Gift aid payment to Watershed Arts Trust Limited	<b>(166,609)</b>	(205,848)
Management charge from Watershed Arts Trust Limited	<b>(205,000)</b>	(199,842)
Tax on profit on ordinary activities	<b>2,458</b>	(40)
	—————	—————
<b>Retained profit for the year</b>	<b>35,713</b>	(38,264)
Retained profit brought forward	<b>229,116</b>	267,380
	—————	—————
<b>Retained profit carried forward</b>	<b>264,829</b>	229,116
	=====	=====

The assets and liabilities of the subsidiary were:

	<b>2020</b>	2019
	<b>Total</b>	Total
	<b>£</b>	<b>£</b>
Fixed assets	<b>34,199</b>	25,477
Current assets	<b>435,298</b>	434,328
Creditors: amounts falling due within one year	<b>(199,004)</b>	(222,567)
Provisions for liabilities and charges	<b>(5,564)</b>	(8,022)
	—————	—————
<b>Net assets</b>	<b>264,929</b>	229,216
	=====	=====
<b>Equity shareholders' funds</b>	<b>264,929</b>	229,216
	=====	=====

**Prior year adjustment**

The company previously recognised Gift Aid distributions to its parent charity in line with profit recognition. Following the triennial review of FRS 102, Gift Aid distributions are now being recognised when they are physically paid. As no gift aid distribution has been made in relation to the current year, the net effect on the closing year end position is £nil. There are no tax implications and no impact upon the consolidated group figures.

**Notes** (continued)

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

	<b>2020</b>	<b>2019</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>3</b>	-
Cost of sales	-	-
	<hr/>	<hr/>
<b>Gross profit</b>	<b>3</b>	-
Administration and other costs	<b>(1,692)</b>	(1,152)
	<hr/>	<hr/>
<b>Trading profit</b>	<b>(1,689)</b>	(1,152)
Other income	<b>118</b>	79
	<hr/>	<hr/>
<b>Net income</b>	<b>(1,571)</b>	(1,073)
Gift aid payment to Watershed Arts Trust Limited	-	-
Management charge from Watershed Arts Trust Limited	-	-
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
<b>Retained profit for the year</b>	<b>(1,571)</b>	(1,073)
Retained profit brought forward	<b>11,023</b>	12,096
	<hr/>	<hr/>
<b>Retained profit carried forward</b>	<b>9,452</b>	11,023
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	<b>2020</b>	<b>2019</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Current assets	<b>60,253</b>	61,024
Creditors: amounts falling due within one year	<b>(800)</b>	-
	<hr/>	<hr/>
<b>Net assets</b>	<b>59,453</b>	61,024
	<hr/> <hr/>	<hr/> <hr/>
<b>Equity shareholders' funds</b>	<b>59,453</b>	61,024
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes** (continued)

**8 Allocation of support costs**

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

	Charitable activities £	Fundraising costs £	Governance £	<b>2020 Total £</b>	2019 Total £
<b>Support cost</b>					
General office	92,899	1,931	15,111	<b>109,941</b>	113,926
Finance office	173,962	2,170	40,587	<b>216,719</b>	202,684
External audit	-	-	16,551	<b>16,551</b>	14,263
Professional services	77,368	-	1,063	<b>78,431</b>	18,616
Fundraiser costs	-	50,469	-	<b>50,469</b>	49,721
	<u>344,229</u>	<u>54,570</u>	<u>73,312</u>	<u><b>472,111</b></u>	<u>399,210</u>

**9 Analysis of charitable expenditure**

	Audience Engagement Programme £	Creative technology and talent development projects £	<b>2020 Total £</b>	2019 Total £
Cinema Screening – direct costs	1,042,645	-	<b>1,042,645</b>	1,008,015
Direct programme/project costs	725,624	644,630	<b>1,370,254</b>	1,546,676
Arts programme management and marketing	384,418	297,225	<b>681,643</b>	688,078
Premises costs	440,945	276,610	<b>717,555</b>	841,899
General support costs	275,383	68,846	<b>344,229</b>	271,222
Governance costs	58,650	14,662	<b>73,312</b>	74,215
Depreciation	211,194	52,799	<b>263,993</b>	315,238
	<u>3,138,859</u>	<u>1,354,772</u>	<u><b>4,493,631</b></u>	<u>4,745,343</u>

**Notes** *(continued)*

**10 Staff numbers and costs**

The average headcount in the year for the group was 131 (2019: 128).

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>2020</b>	<b>2019</b>
Cultural engagement programme	<b>56</b>	56
Administration	<b>11</b>	11
Catering	<b>14</b>	15
Bar	<b>15</b>	15
Conference	<b>5</b>	4
	<hr/> <b>101</b> <hr/>	<hr/> 101 <hr/>

The aggregate payroll costs of these persons were as follows:

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	-	-
Wages and salaries	<b>2,694,905</b>	2,578,032
Social security costs	<b>278,626</b>	254,654
	<hr/> <b>2,973,531</b> <hr/>	<hr/> 2,832,686 <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 in the current or previous year.

Key management compensation in total for the year was £86,972 (2019: £158,545).

The emoluments of one employee, including benefits in kind, are within the range of £70,000 to £80,000 (2019 - the emoluments of one employee, including benefits in kind, was within the range of £70,000 to £80,000).

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Auditors' remuneration – audit (Charity: £13,000)	<b>14,500</b>	22,850
Depreciation and other amounts written off tangible fixed assets	<b>275,322</b>	331,545
Inventories recognised as an expense	<b>1,257,449</b>	1,220,239
	<hr/> <b>1,547,271</b> <hr/>	<hr/> 1,574,634 <hr/>

**Notes** *(continued)*

**12 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2020 or 2019 by Watershed Ventures CIC.

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on results of the year	-	40
<b>Deferred tax</b> (see note 19)		
Origination/reversal of timing differences	<b>(2,458)</b>	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<b>(2,458)</b>	40
	<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:

	2020 £	2019 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>199,864</b>	1,015
	<hr/>	<hr/>
Current tax at 19%	<b>37,974</b>	193
<i>Effects of:</i>		
Losses brought back	<b>(36,275)</b>	-
Depreciation for period in excess of capital allowances	-	-
Other timing differences	<b>396</b>	(153)
Deferred tax adjustment relating to previous year	<b>(4,653)</b>	-
Expenses not deductible for tax purposes	<b>100</b>	-
	<hr/>	<hr/>
Total current tax charge (see above)	<b>(2,458)</b>	40
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**13 Tangible fixed assets**

	Head lease	Leasehold improvements	Furniture and equipment	Total
Group	£	£	£	£
<i>Cost or valuation</i>				
At beginning of year	6,214,400	3,185,766	1,675,968	11,076,134
Disposals in the year	-	(75,172)	-	(75,172)
Revaluation of head lease	1,435,600	-	-	1,435,600
Additions	-	-	270,596	270,596
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,650,000	3,110,594	1,946,564	12,707,158
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	709,544	1,765,692	1,204,704	3,679,940
Depreciation on disposals	-	-	-	-
Reversal of depreciation - head lease	(709,544)	-	-	(709,544)
Charge for year	-	109,375	165,947	275,322
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	1,875,067	1,370,651	3,245,718
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2020</b>	<b>7,650,000</b>	<b>1,235,527</b>	<b>575,913</b>	<b>9,461,440</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	5,504,856	1,420,074	471,264	7,396,194
	<hr/>	<hr/>	<hr/>	<hr/>

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

**Notes** (continued)

**13 Tangible fixed assets** (continued)

	Head lease	Leasehold improvements	Furniture and equipment	Total
	£	£	£	£
<b>Charity</b>				
<i>Cost or valuation</i>				
At beginning of year	6,214,400	3,185,766	1,562,669	10,962,835
Disposals in the year	-	(75,172)	-	(75,172)
Revaluation of head lease	1,435,600	-	-	1,435,600
Additions	-	-	250,545	250,545
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,650,000	3,110,594	1,813,214	12,573,808
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	709,544	1,765,692	1,116,882	3,592,118
Depreciation on disposals	-	-	-	-
Reversal of depreciation of head lease	(709,544)	-	-	(709,544)
Charge for year	-	109,375	154,618	263,993
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	1,875,067	1,271,500	3,146,567
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2020</b>	<b>7,650,000</b>	<b>1,235,527</b>	<b>541,714</b>	<b>9,427,241</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2019	5,504,856	1,420,074	445,787	7,370,717
	<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 2020 £	Charity 2019 £
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	
	2020 £	2019 £	2020 £	2019 £
Finished goods and goods for resale	14,942	14,115	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**Notes** (continued)

**16 Debtors**

	Group		Charity	
	2020 £	2019 £	2020 £	2019 £
Trade debtors	<b>84,674</b>	283,049	<b>42,910</b>	205,074
Prepayments and accrued income	<b>242,697</b>	338,430	<b>220,720</b>	332,626
Other debtors	<b>4,801</b>	8,021	<b>4,788</b>	7,801
Amounts owed by group undertakings	-	-	-	13,365
	<b>332,172</b>	629,500	<b>268,418</b>	558,866

All debtors are recoverable within one year.

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

	Group		Charity	
	2020 £	2019 £	2020 £	2019 £
Trade creditors	<b>325,798</b>	423,598	<b>307,597</b>	378,551
Other creditors including taxation and social security	<b>165,318</b>	177,386	<b>66,540</b>	75,435
Accruals and deferred income	<b>758,239</b>	392,887	<b>675,414</b>	330,683
Amounts owed to group undertakings	-	-	<b>8,443</b>	-
	<b>1,249,355</b>	993,871	<b>1,057,994</b>	784,669

Other creditors include £132,253 (2019: £134,416) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £150,502, deferred income comprising £1,266 of advance cinema sales, £54,590 of conference and café/bar deposits, £35,362 of rental income received in advance, and £516,519 of grant and project income (note 4).

Deferred rent income, advanced cinema sales, and conference and café/bar deposits:

	Group £	Charity £
Balance as at 1 April 2019	<b>132,845</b>	<b>89,236</b>
Amount released to income earned from charitable activities	<b>(557,409)</b>	<b>(513,800)</b>
Amount deferred in the year	<b>515,782</b>	<b>461,192</b>
	<b>91,218</b>	<b>36,628</b>
Balance as at 31 March 2020		

**Notes** (continued)

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

	<b>Group</b>		<b>Charity</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	£	£	£	£
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>
	£
At beginning of year	8,022
Release in the year (note 12)	(2,458)
	<u>          </u>
Add back deferred tax asset (held in debtors)	-
	<u>          </u>
<b>Deferred tax liability at end of year</b>	<b>5,564</b>
	<u>          </u>

The elements of deferred taxation are as follows:

	<b>2020</b>	2019
	£	£
Difference between accumulated depreciation and capital allowances	<b>5,564</b>	8,022
Other short term timing differences	-	-
	<u>          </u>	<u>          </u>
	<b>5,564</b>	8,022
	<u>          </u>	<u>          </u>

The charity has no deferred taxation liabilities.

**Notes** (continued)

**20 Unrestricted income funds**

	<b>Group £</b>	<b>Charity £</b>
At beginning of year (as restated for the charity)	6,502,733	6,262,594
Movement in year before transfers	1,965,723	1,931,580
Transfer from restricted funds (note 21)	168,256	168,256
	_____	_____
<b>At end of year</b>	<b>8,636,712</b>	<b>8,362,430</b>
	_____	_____

	At beginning of year	Incoming resources	Expenditure	Transfers	Other recognised gains and losses	Balance at 31 March 2020
	£	£	£	£	£	£
<b>Unrestricted income funds</b>						
General fund	511,802	4,288,034	(3,757,911)	(478,737)	-	<b>563,188</b>
<i>Designated Funds</i>						
Bristol+ contingency fund	319,889	-	-	(75,172)	-	<b>244,717</b>
Head lease fund	5,504,856	-	-	-	-	<b>5,504,856</b>
Capital fund	-	-	-	709,544	-	<b>709,544</b>
Revaluation reserve (head lease)	-	-	-	-	1,435,600	<b>1,435,600</b>
CPI fund	25,000	-	-	(12,023)	-	<b>12,977</b>
Clusters Fund	78,873	-	-	(21,667)	-	<b>57,206</b>
Rife Fund	14,662	-	-	-	-	<b>14,662</b>
Film Hub Fund	47,651	-	-	16,311	-	<b>63,962</b>
Van Neste Designated Fund	-	-	-	30,000	-	<b>30,000</b>
	_____	_____	_____	_____	_____	_____
	6,502,733	4,288,034	(3,757,911)	168,256	1,435,600	<b>8,636,712</b>
	_____	_____	_____	_____	_____	_____

The transfer to the capital fund represents the reversal of the cumulative depreciation charge on the head lease following revaluation in July 2019. Other recognised gains and losses represents the remaining gain on revaluation of the head lease.

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. Until 2019/20 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. Following the re-valuation of the head lease in 2019/20 and the subsequent review of its accounting treatment £nil funds were transferred to unrestricted income funds in 2019/20.

In 2019/20 the sum of £709,544 was transferred from the general fund to a new capital fund. This represents the reversal of the depreciation charges on the head lease.

In 2019/20 the sum of £1,435,600 was transferred from the general fund to a separate revaluation reserve. This represents the uplift in value of the head lease.

**Notes** (continued)

**21 Restricted funds: Group and Charity**

	At beginning of year	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of year
	£	£	£	£	£	£
<b>Capital grants</b>						
Deferred capital grant	11,197	-	(1,600)	-	-	9,597
Deferred capital refurbishment grants	639,429	-	(67,426)	-	-	572,003
Lottery lease purchase grant	540,143	-	(8,712)	-	-	531,431
ACE GforA capital grant	38,889	-	(2,800)	-	-	36,089
ACE small capital grant	172,260	-	(28,710)	-	-	143,550
LEP – capital grant	70,929	3,747	(59,008)	-	-	15,668
Garfield Weston capital grant	-	100,000	-	-	-	100,000
	1,472,847	103,747	(168,256)	-	-	1,408,338

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).

**Garfield Weston capital grant**

Grant support received from the Garfield Weston Foundation towards the costs of phase 1 of Watershed's proposed capital development project has been transferred to deferred capital grants and will be taken to income over the same period of time as the depreciation of the assets it will fund once the capital project has been undertaken.

**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 funds £</b>	<b>Restricted funds £</b>	<b>2020 Total £</b>	<b>2019 Total £</b>
Fixed assets	8,053,102	1,408,338	<b>9,461,440</b>	7,396,194
Net current assets	618,864	-	<b>618,864</b>	617,098
Long term liabilities	(29,690)	-	<b>(29,690)</b>	(29,690)
Provisions for liabilities and charges	(5,564)	-	<b>(5,564)</b>	(8,022)
	<hr/>	<hr/>	<hr/>	<hr/>
	8,636,712	1,408,338	<b>10,045,050</b>	7,975,580
	<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>2020 Group and Charity plant and equipment £</b>	<b>2019 Group and Charity plant and equipment £</b>
Within one year	<b>10,302</b>	10,791
Between one and five years	<b>41,209</b>	29,446
After five years	-	-
	<hr/>	<hr/>
	<b>51,511</b>	40,237
	<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>2020 Group and Charity leasehold property £</b>	<b>2019 Group and Charity leasehold property £</b>
Within one year	<b>236,385</b>	218,800
Between one and five years	<b>844,774</b>	812,234
After five years	<b>580,763</b>	707,418
	<hr/>	<hr/>
	<b>1,661,922</b>	1,738,452
	<hr/> <hr/>	<hr/> <hr/>

The lease to units 2/3 expired in January 2020 and the unit was subsequently taken back by Watershed. It is intended that this unit will be utilised for phase 1 of the planned capital development (the construction of a small 4<sup>th</sup> cinema screen and café/bar).

## **Notes (continued)**

### **25 Related party transactions**

During the year legal fees of £24,205 (2019: £11,769) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £28,003 (2019: £35,019) 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 consultancy fees of £2,500 (2019: nil) were paid to Stephen Gatfield in respect of programme design and coaching sessions. Stephen Gatfield is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £530 were paid to Sherrie Eugene Hart in respect of participation on an interview panel. Sherrie Eugene Hart a trustee of Watershed Arts Trust Limited.

### **26 Post balance sheet events**

As detailed in the strategic report, the unprecedented situation caused by COVID-19 since March 2020 has proved extremely challenging for Watershed. However, a swift response by Watershed's Trustees and Executive ensured that the operation remained viable in the short term and subsequent strategies actioned ensure that the Group remains a going concern in the future.

27 Comparative statement of financial activities

	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
<b>Income</b>			
<b>Voluntary income</b>			
<i>Donations and legacies</i>			
Individual giving	94,172	-	94,172
Donated services	35,019	-	35,019
Regular grant funding	812,289	-	812,289
<i>Other trading activities</i>			
Commercial trading operations	1,743,416	-	1,743,416
<i>Investment income</i>			
Interest receivable	226	-	226
	<u>2,685,122</u>	<u>-</u>	<u>2,685,122</u>
<b>Income from charitable activities</b>			
Earned income from cinema activities	916,714	-	916,714
Rental income	216,292	-	216,292
Service charges	190,608	-	190,608
Other earned income	100,467	-	100,467
Programme funds	18,507	2,074,001	2,092,508
	<u>1,442,588</u>	<u>2,074,001</u>	<u>3,516,589</u>
<b>Other income</b>			
Capital grants	-	39,509	39,509
	<u>-</u>	<u>39,509</u>	<u>39,509</u>
<b>Total income</b>	<b><u>4,127,710</u></b>	<b><u>2,113,510</u></b>	<b><u>6,241,220</u></b>
<b>Expenditure</b>			
<b>Costs of raising funds</b>			
Fundraising costs	(53,773)	-	(53,773)
Commercial trading operations	(1,382,258)	-	(1,382,258)
	<u>(1,436,031)</u>	<u>-</u>	<u>(1,436,031)</u>
<b>Charitable activities</b>			
Operation of cinema, engagement and creative media projects	(2,671,342)	(2,074,001)	(4,745,343)
Donated services	(35,019)	-	(35,019)
CIC operation	(1,152)	-	(1,152)
Property management costs	(125,621)	-	(125,621)
	<u>(4,269,165)</u>	<u>(2,074,001)</u>	<u>(6,343,166)</u>
<b>Total expenditure</b>	<b><u>(4,269,165)</u></b>	<b><u>(2,074,001)</u></b>	<b><u>(6,343,166)</u></b>
Net income/(expenditure) before transfers and Net income/(expenditure) for the year	(141,455)	39,509	(101,946)
Transfers between funds	179,187	(179,187)	-
	<u>37,732</u>	<u>(139,678)</u>	<u>(101,946)</u>
Net movement in funds	37,732	(139,678)	(101,946)
<b>Reconciliation of funds</b>			
Total funds brought forward	6,465,001	1,612,525	8,077,526
<b>Total funds carried forward</b>	<b><u>6,502,733</u></b>	<b><u>1,472,847</u></b>	<b><u>7,975,580</u></b>