

**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 2015

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Report of the Board of Trustees

The Board of Trustees presents its annual report and the audited consolidated financial statements for the year ended 31 March 2015. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and iShed CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (“the Charities SORP”).

Objectives and Activities

Watershed Arts Trust Limited was incorporated in 1982 to advance education, and increase appreciation and understanding of the arts (with particular reference to communication and media arts) amongst members of the public. In the year, Watershed received Charity Commission approval to revise its Memorandum and Articles of Association to modernise the Articles and to include the use of digital technologies in delivering the objectives of the Charity. The new Articles of Association were adopted in January 2015 and Watershed has continued to fulfil the aims specified in its Articles of Association during the year.

Over the past thirty-three years Watershed has carried out its aims responding to changing cultures, audience expectations and operating environments. In the year, Watershed’s principal activities have continued to be the operation of cinemas, events (with particular emphasis on the digital media), new talent development, innovation in emergent practice, cross-artform production and online publishing. Watershed acts as a cultural hub and broker using its skills and expertise in media and technology to play an enabling role across sectors of the wider creative economy, developing talent and promoting cultural exchange and diversity.

Watershed engages artists and audiences in cultural ideas through a distinctive cultural programme. From world cinema to new forms of artistic practice, Watershed is driven by diversity working at the intersection of culture, art, technology and community with an emphasis on talent, accessibility and open innovation.

Overview of the Year

Watershed is pleased to report on a strong year of delivery and development. Audience numbers increased both in the venue and beyond; Watershed supported a wider diversity of talent to develop ideas, capacities and profile; its international activities extended to North America and Asia; and to sustain this range of development it saw improved margins from income growth in all areas of operation resulting in free reserves building back to the total last seen before the recession.

However, probably the most significant development during the year was the launch of RIFE Magazine in July 2014, an online magazine by young people in Bristol for young people in Bristol. This is the headline innovation delivered as part of Watershed’s contract with Bristol City Council to deliver an online information service for young people. <http://www.rifemagazine.co.uk> was developed through intensive workshops with young people and is staffed by a small group of young people supported by its engagement team. The young people each work at Watershed as part of the team on 6 month paid contracts to both deliver the magazine content and to develop their own skills. The programme also includes master classes for young people and workshops with schools and youth groups to develop digital journalism skills and to promote the voices of young people from all parts of Bristol.

The growth in audience numbers was significant, paid admissions at the venue was at a record level of 136,340 while audiences for off-site installations and exhibitions totalled 164,820. This growth is the result of a combination of factors including an increasingly diverse world cinema programme (449 titles from 48 countries), the expansion of our talent development programmes to showcase finished work (Door Into The Dark showcasing at Sheffield International Documentary Festival and Silent Running at the Eden Project), and the growing international profile of the Playable City programme which saw Hello Lamp Post play in Tokyo and Austin, Texas including for the SXSW Festival. The second Playable City International Award attracted entries and media attention from around the globe and the winner Shadowing attracted 100,000 engagements on the streets of Bristol during September and October. It went on to be selected for the London Design Museum Designs of the Year competition and will showcase at the Museum in 2015.

This increasingly diverse programming was underpinned by an increasingly sophisticated audience engagement strategy which is now firmly digital first. Investments in new Box Office and Customer Relations Management systems have enabled Watershed to build stronger relationships with audiences delivering sustained growth in the number of Loyalty Card holders (14,264), email list sign ups (26,943), and Twitter followers (35,442). Programme development also includes working with a very wide range of co-producing partners to engage more widely with the diversity of local and international audiences. These partnerships deliver rich content to engage with audiences through initiatives like Conversations About Cinema (<http://www.conversationsaboutcinema.co.uk/>) and the Making the City Playable Conference (<http://www.watershed.co.uk/playablecity/conference14/>).

Report of the Board of Trustees (continued)

Of equal importance is Watershed's engagement with talent to develop new talent and to support emergent practice. Alongside the Rife Magazine initiative Watershed has continued to deliver and develop both BFI Film Academy and Future Producers attracting young people from all parts of Bristol. The demand for Watershed's New Talent Residencies is growing as the success of residents increases – the latest example being Silas Akenule whose Reach Robotics is gaining international recognition and support. Two particular successes from longer term practice development are: Anagram, whose Door Into The Dark experiential documentary installation premiered at Watershed for the IDocs Festival, was commissioned for the Sheffield International Documentary Festival where it was a huge hit, this included selection for the prestigious Tribeca International Film Festival Interactive Showcase where in April 2015 it went on to win the Bombay Sapphire Storyscapes Award and garner huge acclaim including the front page of the New York Times weekend arts supplement; and, Objects Sandbox, which showcased all 6 innovation projects produced through the REACT programme at Christies as part of the London Design Festival 2014.

To extend the impact of Watershed's talent and practice development programmes it continues to work in collaboration with a wide range of partners and during the year Watershed became one of the hubs for the new high capacity experimental network Bristol Is Open. This is a world leading digital connectivity environment led by University of Bristol and Bristol City Council due to come into operation during 2015 offering new opportunities for experiment and innovation. The Pervasive Media Studio has a growing international reputation as a ground breaking hub for both talent development and collaborative innovation:

'... the Pervasive Media Studio (at Watershed in Bristol) is one of the places that is most inspirational in this regard. It may even point to what a future university may look like - combining research and practice with an understanding of how to grow spin-out companies, all set within the context of the arts.'

Andrew Prescott, Professor of Digital Humanities, King's College London

During the year Watershed began to use a new Evaluation Framework which is enabling more consistent and in depth evaluation and learning across the organisation to inform future programmes. This includes regular audience surveys conducted face to face using a tablet based questionnaire. The demographic of Watershed's audiences is one key area of research and feedback indicates that while we are making some meaningful progress to reach diverse audiences the proportion of young people under 24 who regularly attend Watershed is lower than Watershed would like. To address this it is planned to introduce a new pricing structure in the coming year aimed at attracting more attendances from young people.

Watershed is also pleased to report that the development of its cultural programme was underpinned by development of its income generating activities. The growth of cinema audiences was accompanied by ticket income growth, talent and practice development by increased project funding, and the Trading Company reported its best ever results with significant growth in Conference and Events sales. Overall the Group recorded both its highest annual level of income and surplus. While this is very welcome the Board are very aware that the amount of free reserves has only just returned to the pre-recession level and as a proportion of income it has reduced so there is a requirement to continue to build reserves for future investment.

During what was a very successful and busy year considerable attention was dedicated to planning for the future. Investing in staff capability and capacity continued to be a priority. In the year Watershed had a thorough Investors in People (IIP) review resulting in continuation of its IIP status and a very positive report from the independent assessor. Watershed has consistently recognised the importance of the staff to successful delivery of services. During the recent recession pay was constrained and while Watershed has paid above the minimum wage some roles have been paid below the 'living wage'. Therefore the Board decided that it would commit to paying all staff a 'living wage' and would achieve this by increasing rates of pay for any role receiving less than the 'living wage' by 5% per annum from April 2015 until the required level is reached. This is expected to be in 2017.

Watershed also continued to develop its staffing structure to ensure effective management. This included a new Management Board to provide more contact between Board and Executive outside of Board meetings, and as part of this Clare Reddington took on the new role of Creative Director to build synergy across our creative programmes. During the year Watershed began to dedicate more resource to fundraising which it is expected to become increasingly important. Watershed appointed its first Head of Development and in February 2015 launched a new online Individual Giving Programme.

As demand continues to grow Watershed is exploring how it can expand capacity and improve resilience. This has included development of a capital development scheme. As part of this work Watershed commissioned Arup to undertake a T22 Energy Consumption Study. This provided a detailed picture of our energy consumption and informs plans to invest in new technologies to reduce Watershed's energy consumption and costs in the future. Watershed is also pleased to report successful applications to renew Arts Council England National Portfolio Organisation and Bristol City Council Key Arts Provider funding for the three years 2015 to 2018. This funding is very important to enable Watershed to deliver such a diverse, high quality and innovative programme.

Report of the Board of Trustees (continued)

Finally Watershed acknowledges the enormous contribution of Derrick Price who served as Chair from 1998 until stepping down in January 2015 when Watershed Board member James Touzel was elected to the position of Chair. Watershed owes a huge debt of gratitude to Derrick who took over the role of Chair during a period of great difficulty. He has skilfully steered the organisation through turbulent times embracing the digital revolution and taking Watershed from a position where its programmes were shrinking and its finances shaky to one of local and international repute as an open and inclusive cultural innovator at the leading edge of emergent digital practice.

Watershed's Mission

To develop cultural engagement, imagination and talent, in the belief that the route to better futures is open, disruptive and co-produced.

Values

Watershed's values are authored and enacted by its staff. Watershed is People Led, Entrepreneurial, Ambitious, Open and Celebratory.

A Vision of Success

Watershed aims to be recognised:

- for its internationally distinctive programme of innovation and talent development
- as a leading centre for film culture
- as Bristol's city centre cultural meeting and debating place of choice

Watershed works to develop increased creative capacity through being:

- **People Led** : increased investment in talent development – artists and staff
- **Entrepreneurial** : building free reserves for future investment and risk
- **Ambitious** : locally and globally recognised as a centre of cultural innovation
- **Open** : a growing network of participants, collaborators and partners
- **Celebratory** : a growing reputation for hospitality and quality

Organising Behaviours

The way in which Watershed approaches its role is to:

- nurture, inspire and engage artists and audiences
- create programmes that are distinctive, imaginative, collaborative and playful
- explore new ideas, practice and experience
- configure opportunity to develop and support talent
- actively build relationships and connect networks of collaboration locally & globally
- believe diversity of people, experience and culture is a creative asset
- create social spaces to connect communities, knowledge and learning

Specific targets set for 2014/15

In 2014/15 Watershed aimed to deliver its mission through a targeted focus on:

- Talent discovery and development
- Emergent voices and emergent practice enabled by technology
- World cinema and cultural representation
- Diversity and collaboration driving engagement, invention and enterprise

The key themes for delivering the above were:

- Playable City
- Young Voices
- New Talent
- Emergent Practice

Watershed's target groups for audience development were:

- Existing audiences to engage more deeply across the programme and advocate for us
- BME audiences through targeted co-curation and partnership
- Young people to explore their creative potential and to inform/disrupt our offer

Report of the Board of Trustees (*continued*)

Achievements and performance

Watershed continues to be a major contributor to the creative and cultural landscape of Bristol. It commands respect as an innovator which actively opens doors to participation and connects people from diverse communities bridging culture and commerce, art and technology.

During 2014/15 the headline statistics were:

- Total visitors to Watershed for all purposes – 351,263
- Paid admissions for screenings, talks and events - 136,340 (a 6.5% increase on 13/14)
- Audiences for off-site installations, exhibitions and performances – 164,820
- Loyalty Card scheme members – 14,264
- Followers on Twitter - 35,442
- Young people attending cinema screenings, events and workshops - 5,086
- Artists and collaborators supported - 275
- Artists and creatives commissioned to produce new work - 34
- Cultural and community organisations collaborating on projects - 50
- Academics collaborating on research projects - 102
- Businesses collaborating on projects and/or resident in the Pervasive Media Studio - 75
- Website visitors (unique visits to Watershed sites) - 1,329,508 (a 33% increase on 13/14)

Highlight achievements from the year

Leading Independent Cinema

Watershed is a space for cultural exchange that promotes engagement, enjoyment, diversity and participation in specialised film and media arts. Watershed's approach is to do things 'with' people not 'for' people. Curation is approached with artists, partners and audiences in the spirit of co-production and dialogue underpinned by a rich quality of experience for all.

In 2014/15 Watershed continued to build on a successful track record providing choice and value, positively enhancing access and fostering dialogue through a rich programme of films, talks, events, festivals, projects, tours, debates at the venue and online.

Watershed's moving image programme represented 48 countries: From Europe - Albania, Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Norway, Poland, Russia, Spain, Sweden, Switzerland, Turkey, and United Kingdom. Beyond Europe - Argentina, Australia, Brazil, Cambodia, Canada, China, Hong Kong, India, Indonesia, Iran, Israel, Japan, Kazakhstan, Kenya, Lithuania, Mexico, Nepal, New Zealand, Palestine, Saudi Arabia, Senegal, Singapore, South Africa, South Korea, Trinidad & Tobago, United Arab Emirates, United States of America and Venezuela.

Watershed presented:

- a cinema programme representing 48 different countries
- a total of 3,264 film screenings attracting 136,340 admissions
- 449 individual film titles
- 99 British independent titles
- 106 enhanced screenings (films plus talks/question and answer sessions)
- 12 Repertory seasons
- 59 BME targeted events (excluding standard screenings) presented in collaboration with BME groups
- 197 events/screenings targeted at young people attracting 5,036 admissions
- 21 school screenings attracting 1,496 students
- 803 screenings with audio description provided (37 of these also included descriptive subtitling)

Watershed entered its third year as the lead organisation of one of the nine Film Hubs around the UK that are part of the BFI Film Audience Network (BFI FAN), a ground-breaking initiative developed by the BFI to enable organisations and film experts in the independent cultural exhibition sector to work in partnership to boost film audiences across the UK, particularly in the areas of specialised and independent British film.

Report of the Board of Trustees (continued)

Sci Fi: Days of Fear and Wonder

Watershed's role as the Hub Lead Organisation in the British Film Institute's national Film Audience Network initiative has meant that it is operating with a wider regional and national remit. This has led to some nationally significant projects engaging wider audiences. For example, as part of the Sci Fi extravaganza Days of Fear and Wonder Watershed presented the cult classic Silent Running in the otherworldly Eden Project in Cornwall preceded by a newly commissioned soundscape from Portishead's Adrian Utley and Goldfrapp's Will Gregory performed in the magical Mediterranean biomes to a sell out audience.

Pioneering New Music and Film

Watershed continues to explore the creative connections across film and music through our annual Filmic strand, a partnership with St George's and Colston Hall, which has led to such musicians as Phillip Glass, John Parrish and Jocelyn Pook performing and talking about their work in film.

Cultural Diversity and Audience Development

There is a real appetite and appreciation from audiences to engage in deeper discussion with themes and ideas generated through the films Watershed screens. This has been most evident in the Conversations about Cinema strand which started as a partnership with Bristol University. They let their academic community know about selected titles from our forthcoming films and anyone with research interests in an area could introduce a film screening and lead an informal discussion in our café bar. This led to some extraordinary pairings where for example an archaeologist who had been excavating in plantations in the Caribbean introduced a screening of 12 Years a Slave and hosted an informal discussion afterwards.

<http://www.watershed.co.uk/news/12-days-of-12-years/>

Watershed has developed this model through support from BFI Lottery Funding to a series of nationwide screenings and events, and an online platform under the Conversations About Cinema banner, to present and explore issues and ideas on a particular theme. This year it was the impact of conflict building on the World War 1 commemorations. Watershed is currently working in partnership with cinemas in Wales and Northern Ireland leading to nationwide engagement with film both in venues and online. Watershed is looking to extend the conversations about cinema platform.

<http://www.conversationsaboutcinema.co.uk/>

Come the Revolution....has been established and supported through Watershed's role as the HLO of Hub SWWM. It is a collective of curators, programmers and creatives from Bristol & Birmingham committed to exploring and challenging black life, experience and cultural expression through cinema. Mentored by Film Curator Karen Alexander the collective will enrich the cinema programme not only at Watershed but across Bristol and Birmingham with film and events season.

Opportunities for young people – Developing Young Talent

Watershed has a huge impact on the creative lives of countless young people, developing their creativity and skills and contributing vital talent to the cultural sector to ensure it continues to thrive. Future Producers is Watershed's Talent Development programme for 18 - 24 year olds through which young people deliver commission, manage, oversee and realise live projects and ideas in collaboration with Watershed. Co-curating and delivering programmes for real audiences working alongside professionals helps young people develop the competencies associated with becoming a producer in the cultural sector.

Future Producers Programme – This programme for young people (aged 18-25) provides an opportunity for 21 participants to work with Watershed & receive mentoring from industry professionals/guest curators to build skills for future employment in the creative industries. The programme led to the Gold Arts Award supported by bridge organisation RIO. In 2014/15 the Future producers programmed Fun Palaces as part of a hugely popular nationwide Sci Fi event, supported by the BFI.

<http://www.watershed.co.uk/dshed/future-producers/preview>

Bristol Youth Links - In 2013/14, Watershed secured a three-year commission from Bristol City Council's Bristol Youth Links to develop an on-line platform with and for Bristol's young people to explore youth culture and the issues faced by today's young people. In July we launched RIFE magazine and eight young journalists were appointed during the year, on 6 month paid apprenticeships, to contribute to the on-line magazine, RIFE (a platform for young people to share ideas, curated by young people).

In the year the youth links team ran a series of "vlogging" workshops for schools to teach pupils about generating ideas and presenting on-line content. 7 workshops were presented to 191 students.

<http://www.watershed.co.uk/bristolyouthlinks> and <http://www.rifemagazine.co.uk/>

Report of the Board of Trustees (continued)

Playable City

Watershed's global Playable City programme, comprises workshops, a conference and an annual international award. Supporting artistic interventions that re-use the fabric of the city to create shared experiences, highlights in 14/15 include Hello 'Lamp Post (2013 Award) toured to SXSW, Austin and Tokyo, Shadowing (2014 Award) attracted 100,000 players in Bristol and was showcased at the Design Museum, 197 applications were received for the 2015 award, plus development of Playable City Tokyo and a global network of Playable Cities.

Playable City partners include Bristol City Council, British Council, University of Bristol, University of the West of England, Future Cities Catapult, and Guardian Cities.

<http://www.watershed.co.uk/playablecity/>

Sandbox Innovation Methodology

In 2008, Watershed created Sandbox, a funding scheme designed to develop early-stage ideas, without pre-determining their value. With an emphasis on knowledge-sharing, the Sandbox methodology became the linchpin of REACT, one of four UK Knowledge Exchange Hubs funded by AHRC. REACT highlights delivered by Watershed this year include the Objects Sandbox showcase at Christies' during London Design Festival 2014, the design and delivery of Play Sandbox (which was co-designed with 8 – 12 year olds) and the launch of the Alumni Accelerator scheme. REACT projects have gone on to secure investment, further funding and commissions across the world.

The Pervasive Media Studio

Watershed's Pervasive Media Studio brings together a network of artists, creative companies, technologists and academics working on emergent ideas, experiences and applications in digital media with both cultural and commercial potential. This multi-disciplinary lab is a leading international hub for creative technologies embracing collaboration, research, innovation, incubation, production and teaching. It is a formal partnership between Watershed, University of the West of England and University of Bristol Highlights for 14/15 include presenting Door in the Dark (developed in the studio by Anagram) at The Tribeca Festival in New York to much acclaim, winning the Bombay Sapphire Storyscapes Award.

<http://www.watershed.co.uk/pmstudio/welcome-pervasive-media-studio>

Monitoring and Evaluation

Watershed evaluates its performance on a regular basis to ensure that it stays relevant to its audiences, artists and collaborators and keeps abreast of emerging trends and technologies. Regular self-evaluation has helped ensure that Watershed continues to maintain and strengthen its position as a cultural leader.

In the year, Watershed continued to work with Anne Millman to complete a fund-raising and data development plan. The new Box Office/CRM system was installed as a result of this, which went live in March 2014. This has significantly improved Watershed's ability to collect and interpret audience data. At the time of installation Watershed's average % of online bookings was 15% at end of March 2013 this had doubled to 29%. Also at installation the number of Loyalty Card Holders was 7,511, while at the end of March 2015 thanks to the capabilities of the new system to collect points online this has increased to 14,264 Loyalty Card Holders.

This has assisted in the development of an evaluation framework which has been on-going throughout 2014/15. Training has taken place to develop in-house expertise in audience research and a first pilot run of face to face interviews with audience members took place in Autumn 2013. A further evaluation was undertaken during Watershed's Sci-Fi film season in Autumn 2014. The evaluation framework and the regular audience surveys are providing in depth information on our audiences and the impact of our initiatives to inform future plans.

Financial review

The consolidated balance sheet set out on page 20 shows an increase in unrestricted income funds (undesignated) of £191,463 in the year (2014: £2,332). This is an excellent result for the year, and will go some way towards boosting Watershed's reserves towards its target level.

From a financial perspective, 2014/15 is Watershed's best performance to date. The out-turn is due to a consistently good performance across the organisation as a whole, with sales exceeding budget expectations in most areas and cinema audience numbers achieving an all time high. A focus on cost control has ensured that margins remain well within budget.

The consolidated results set out on pages 18 to 20 show a surplus of £45,849 (2014: deficit of £156,609) for the year. The surplus on unrestricted funds for the year totalled £135,717 (2014: deficit of £53,412). Further details are set out in notes 19 and 20.

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

Report of the Board of Trustees (continued)

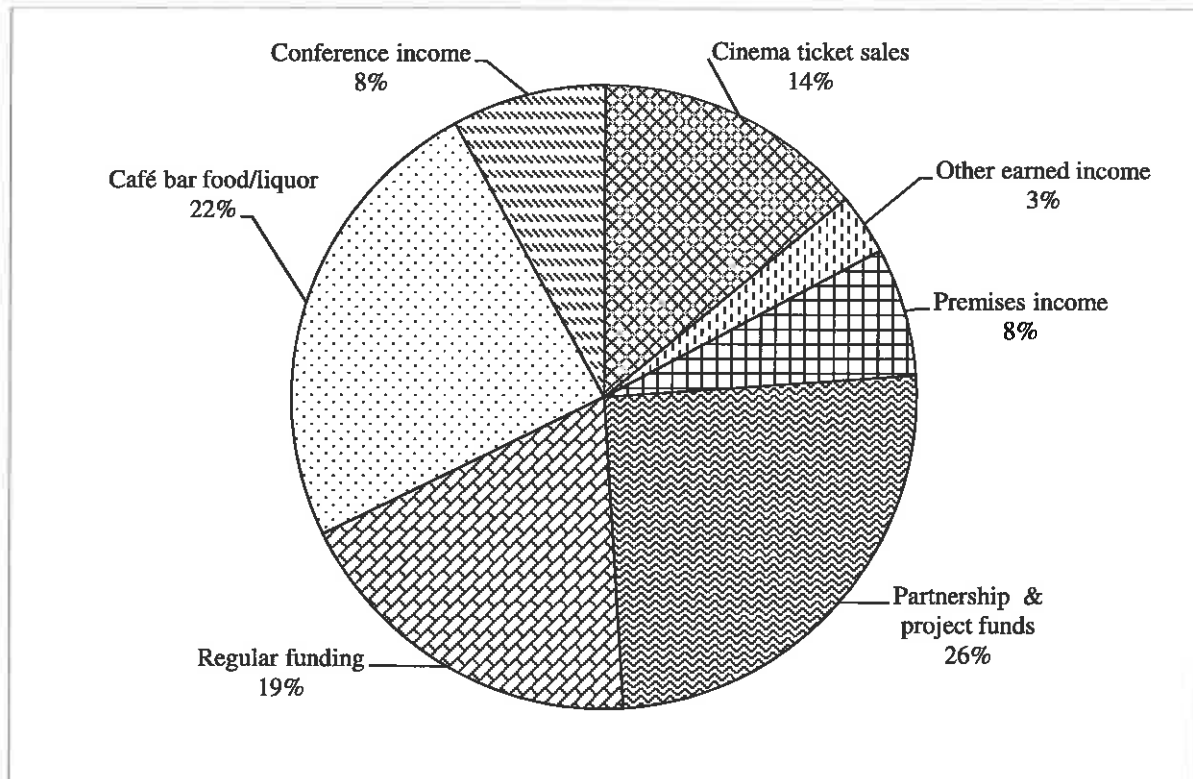
Watershed Trading Limited made donations of £120,047 (2014: £33,393) through gift aid to the Charity and generated profits before tax of £21,563 (2014: £15,837). The two main sources of income generation for the Trading Company are:

- Café/bar food and liquor sales totalled £1,107,091 (2014: £1,090,607). Sales overall show a small increase on the previous year but a focus on cost control and careful menu planning has resulted in much improved margins, increasing the profit from sales.
- Conference sales totalled £426,603 (2014: £359,551). This is an increase of 19% on the previous year. Watershed's pro-active approach to driving its conferencing business, improved conference menus and flexible approach to meeting the needs of clients is having a beneficial impact on Watershed's business.

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

iShed CIC generated profits before tax of £2,826 (2014: £2,817) and total revenue of £351,404 (2014: £318,756).

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



Watershed's financial model is constructed to provide the resilience and flexibility required in order to meet the challenges and seize the opportunities of the dynamic environment in which it operates.

Watershed's income portfolio is complex and varied. Self-generated income from cinema ticket sales, rental income from head lease tenancies and sales generated by its Trading subsidiary account for 55% of Watershed's total turnover. Watershed recognises that these areas of the business are sensitive to external market forces such as changes in the market place in which it operates and the general economic climate. To maximise earned income streams Watershed monitors performance closely, responding to changes in the market place and listening to its audience and clients. Careful financial controls ensure that costs are maintained within budget.

Watershed's targeted approach to developing audiences, strategic marketing and careful curation of its cultural cinema programme have led to an increase in its cinema audience and sales in the year. Cinema ticket sales increased by 7% totalling £682,697 (2014: £636,210).

Report of the Board of Trustees (continued)

Watershed's financial position was strengthened in the year by the letting of the only remaining vacant unit in its head lease property. Watershed completed an agreement with Bristol City Council for a five-year lease to be used as its base for Green Capital 2015 in June 2014. With The Stable's rent-free period ending in the same month this has meant that the head lease units are fully let and paying rent for the first time since 2010.

This not only provides increased rental income and full service charge recovery but also accomplishes the diverse mix of businesses that Watershed set out to achieve on purchasing the head lease. The dockside walkway is no longer dominated by liquor orientated offers but contains a vibrant mix of cultural and café offers making Watershed an attractive gateway to the Harbourside. Profits from the rental income continue to be applied to the charitable objectives of the Arts Trust.

Watershed relies on one-off funds raised through partnership arrangements, project grants and contracts for services to support specific areas of activity that are vital in delivering its charitable objectives. In 2014/15 these sources accounted for 26% of Watershed's turnover and totalled over £1.2 million. Working in collaboration with a range of partners is key to Watershed's operation and partnerships span across several sectors including the cultural, commercial and educational sectors.

In 2013/14 Watershed entered into two potentially long term partnerships which are having a significant impact on Watershed's operation.

Watershed entered into its second year of a three year contract with Bristol City Council to deliver a "virtual youth network" for the City providing a platform for young people to share ideas and activities and the second year of a four year funding arrangement with the British Film Institute as a Hub Lead Organisation (part of the national Film Audience Initiative to develop audiences for cultural cinema across the country). In addition, further programme development funds awarded by the BFI enabled Watershed to significantly increase the breadth and depth of the cultural cinema offer across the Hub region as well as at Watershed.

In 2013/14, Watershed secured funding from the British Council to deliver a "Playable City" programme in Recife, Brazil. This formed part of the British Council's four year TRANSFORM programme connecting the UK and Brazil through the arts. This successful programme completed in 2014/15 with a two week sprint in Recife involving eight producers, eight artists and four technologists from the UK and Brazil exploring ideas at the intersection of art, technology and culture around the "Playable City" theme. Watershed continues to develop its relationship with the British Council collaborating on projects to develop the Playable City concept and explore its global appeal.

The operational costs of the Pervasive Media Studio continue to be supported by Watershed's formal 5 year collaboration agreement with the University of the West of England (UWE) and the University of Bristol (UoB), which commenced in 2011/12. This arrangement enables Watershed to increase collaborations in the HE sector, such as the REACT hub and the Being There robotics project, in collaboration with Exeter University.

Watershed continued to actively engage with its regular funders Arts Council England and Bristol City Council in the year. 2014/15 is the final year of Watershed's "National Portfolio" funding from Arts Council England as a national cultural provider and of a three year funding commitment from Bristol City Council.

This subsidy accounts for 19% of Watershed's turnover and provides vital support for Watershed's key areas of activity enabling the organisation to progress its business plan and maintain its cultural offer. Watershed has received confirmation of funding arrangements for the next three years from both the Arts Council and Bristol City Council. However, changes in government policy can have a significant impact on these funds and Watershed acknowledges that in-year cuts may be incurred over the duration of these agreements and it must position itself to be able to adapt accordingly. Watershed recognises the need to maintain a resilient financial model and works to improve self-sustainability, developing new income streams with a focus on national and international partnerships.

With ever increasing demand from the public and partners, and a growing reputation as a leader in its field, Watershed is well positioned for continued growth.

In order to take advantage of this position and increase the resilience of its financial model Watershed secured funds from the ACE Catalyst scheme to support the development of capacity to raise funds through individual giving and private sponsorship.

With the support of the Catalyst programme, Watershed appointed a new role of Head of Development in July 2014 to increase Watershed's fundraising capacity and a new fundraising campaign was launched in February 2015. The campaign aims to raise funds targeted towards the development of new talent and support for young people's activities across Watershed's creative programme.

Report of the Board of Trustees (continued)

As part of the initiative, intelligence from Watershed's new customer relations management system was used to launch an individual giving campaign targeting regular users of Watershed and inviting prospective donors to give regularly by direct debit or make a one-off donation.

It is too early to gauge the true impact of fund-raising activity and Watershed expects to see the benefits of these initiatives in the coming years. Approximately £34,700 has already been promised in donations from individuals for the coming financial year. Going forward this will make an important contribution to Watershed's ability to increase investment in key areas of its creative programme.

Financial monitoring

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

The use of restricted funds is monitored carefully through separate profit and loss accounts which are set up for the individual projects to which they relate. This ensures that funds are correctly applied and project activity remains within specified budgets.

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

These systems ensure early detection of potential budget and cash flow issues enabling action to be taken quickly and effectively as appropriate to mitigate any likely impact.

Reserves policy

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

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

Watershed holds reserves for the purpose of:

Meeting the day to day operational requirements of the Arts Trust

- managing variations in cash flow requirements.

Managing the key areas of risk to the business

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

Requirements for future investment:

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

Current level of reserves

Watershed currently holds reserves in a general fund (to support the day to day operational requirements of the Trust and mitigate risk) and a 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.

Watershed's reserves currently comprise*:

General fund	£314,173
Designated fund – Bristol +	£111,644
Total	£425,817

*note – net current assets available at 31 March 2015 stand at £247,100

Report of the Board of Trustees (continued)

In addition, in 2011/12 a new designated fund was established to ring fence the balance of the head lease purchased with a capital grant from SWRDA in 2007. These funds became unrestricted in 2011/12. Watershed has £5,727,838 held in this fund at the end of 2014/15. With Board approval, each year the sum of £55,746 is transferred from this designated fund to the general fund to match the depreciation on the head lease.

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

Future targets

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

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

The amount deemed appropriate to meet the day to day operational requirements of the Arts Trust and protect the Arts Trust against the uncertainty of future income streams is 10% of Group turnover. This translates to a current target of £500,000 for the General Fund.

General Fund reserves will be built up over the next 3 years, in line with projections outlined in Watershed's current business plan. These projections indicated that the target will be achieved by 31 March 2018.

The level of reserves currently held in the Bristol + fund (£111,644) is deemed appropriate for Watershed's needs at the current time. This will 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.

Watershed currently has no funds held in reserve for future investment. The ability to make strategic investments and maximise opportunity is key if Watershed is to continue to move forward and increase its sustainability.

To this end, Watershed continues to develop plans for future development and investment. This includes a proposed major capital project to make the organisation more resilient and sustainable, financially and environmentally.

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

Plans for future periods

In the coming year Watershed will continue to undertake activities to grow and develop the organisation in line with its Business Plan.

The headline priorities are:

- Strengthen resilience by improving margins and reducing energy consumption
- Increase investment in emergent talent through developing unrestricted fundraising
- Grow audiences for cultural cinema
- Increase engagement from young people (24 or under) and BME communities
- Develop partnerships to support talented people into economic self-sustainability

Structure, governance and management

Watershed Arts Trust Limited, a registered charity and company limited by guarantee governed by its Articles of Association.

In the year, Watershed received Charity Commission approval to update its Memorandum and Articles of Association to allow for a change in the technologies used to deliver the objects of the Charity.

The rationale behind this change is to:

- ensure transparency of governance – this is increasingly important to the Arts Trust and it is appropriate that Watershed's Articles are as clear as possible using plain English as far as possible and reflect the 21st century digital world in which it operates;
- assist Watershed in developing new funding relationships with a view to increasing the income of the Charity to support its charitable activities;
- reflect changes in Charity Law and to ensure that Trustees are clear on their responsibilities and powers, for example a change from describing the Trustees as the Council of Management to the more common Board making it clear that the Trustees are the Directors of the Company.

Report of the Board of Trustees (continued)

The new Articles of Association were adopted by the Arts Trust by special resolution in January 2015.

The Charity has two wholly owned subsidiaries, Watershed Trading Limited, which operates conference, restaurant and bar facilities, and iShed CIC, which initiates and supports innovation and collaboration in the creative economy.

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

In 2014/15 Watershed commenced a review of its governance and management structure to reflect the organisation's growth and development over the past few years. Changes in management team responsibilities and areas of accountability have created increased collective responsibility and synergy across the organisation. Two new management posts were created in the year, a Creative Director to join up Watershed's creative programme across the group and a Head of Development to take on responsibility for fundraising.

In addition, the Chairs Co-ordinating Committee is replaced by a Management Board comprising both executive and non-executive members who take an overview of the organisation and its strategic position and report to the Board. This enables the organisation's day to day delivery to be separated from its strategic planning.

The Board, which administers the Charity, meets 5 times a year.

In January 2015, Watershed's Chair, Derrick Price, stepped down after 17 years of service, providing an invaluable contribution to Watershed through clear and effective guidance over the years. James Touzel was unanimously elected as the new Chair of the Board.

Potential Board members are sought in line with Watershed's requirements for expertise and representation in specific areas. Watershed is currently working to diversify its Board to more closely reflect the community it represents and the skill set required to develop the organisation going forward.

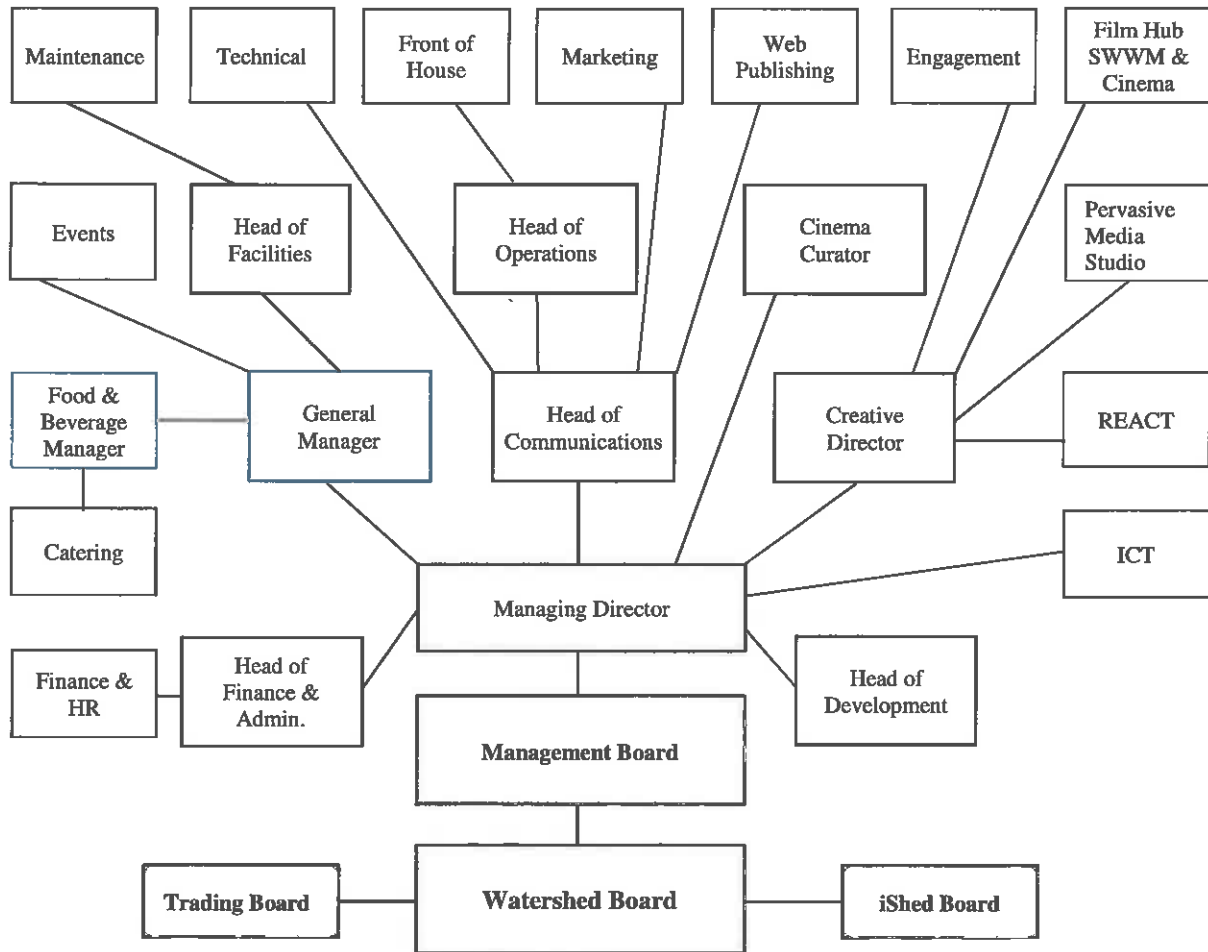
To this end Watershed will actively seek out new members in the coming year to meet these requirements.

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 current organisational structure is shown in the diagram below. There are six senior managers reporting to the Managing Director. There are two other senior managers, one reporting to the General Manager and one reporting to the Head of Communications. Senior managers take responsibility for the day-to-day operation of the Arts Trust, Trading and iShed operations. The Managing Director focuses on strategy and co-ordination across the group.

Report of the Board of Trustees (continued)

Watershed Group Staffing Structure



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

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

In 2014/15 Watershed’s Investors in People (IIP) status was reviewed and continued IIP status granted. As part of the review staff were asked to score Watershed out of 10 on how well they felt supported as an employee. Scores given ranged from 7 to 10 with an average score of 8.3- reportedly significantly higher than is usual. The report states:

“Despite the uncertainties and challenges you have faced in remaining competitive in the market place, you have continued to grow through the development and deployment of effective strategies and this is a testament to your strategic planning. Key strategies such as the organisation structure changes and improvements to communication have proved successful.”

“Reward and Recognition strategies are fantastic...”

“People confirmed that all the core values are embedded in the culture of the organisation.”

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

Report of the Board of Trustees (continued)

Risk management

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

As indicated in the business plan, Watershed's risk management strategy involves maintaining:

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

The Trustees consider that adequate controls are in place to mitigate the key risks identified. Key areas of risk are reviewed annually by the Board.

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. iShed CIC was incorporated on 12 February 2007.

Report of the Board of Trustees (continued)

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

Trustees

Dr. D. Price (Chair) (resigned January 2015)
J. Touzel (Chair appointed January 2015)
P. Appleby
L. Bilbe
D. Bunyan
Dr. J. Chakrabarti-Gallemore (resigned February 2015)
J. Durrant (appointed 25 March 2015)
A. Gilkison
S. Gatfield (appointed 25 June 2014)
S. Luton
S. Wilson
Clr. Pete Levy (resigned June 2014)
Clr. Estella Tincknell

Report of the Board of Trustees *(continued)*

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

Disclosure of information to auditors

The Trustees who held office at the date of approval of this 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 at its Annual General meeting held on 28 January 2015.

By order of the Board



J Touzel
Chair of the Board

1 Canon's Road
Bristol
BS1 5TX

Date *23 September 2015*

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

We have audited the financial statements of the group and charity of Watershed Arts Trust Limited for the year ended 31 March 2015 which comprises the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2015 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

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

Michael Strong
30/9/15

Consolidated statement of financial activities (including an income & expenditure account)
 for the year ended 31 March 2015

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Total Funds 2015 £	Total Funds 2014 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
<i>Voluntary income</i>					
Grants	3	12,871	61,424	74,295	54,992
Donations and gifts		14,147	-	14,147	-
Donated services		-	14,965	14,965	40,866
<i>Activities for generating funds</i>					
Commercial trading operations	5/6	1,575,075	-	1,575,075	1,480,674
<i>Investment income</i>					
Interest receivable		555	-	555	1,848
		<u>1,602,648</u>	<u>76,389</u>	<u>1,679,037</u>	<u>1,578,380</u>
<i>Incoming resources from charitable activities</i>					
Earned income from cinema activities		758,084	-	758,084	671,385
Rental income		193,557	-	193,557	116,762
Service charges		96,172	-	96,172	88,513
Other earned income		134,626	-	134,626	144,349
Project funds	3	-	1,155,024	1,155,024	850,938
Regular grant funding	3	935,250	-	935,250	1,063,581
		<u>2,117,689</u>	<u>1,155,024</u>	<u>3,272,713</u>	<u>2,935,528</u>
<i>Other incoming resources</i>					
Capital grants		-	20,000	20,000	-
Total incoming resources		<u>3,720,337</u>	<u>1,251,413</u>	<u>4,971,750</u>	<u>4,513,908</u>
Resources expended					
<i>Costs of generating funds</i>					
Costs of generating voluntary income	7	(65,539)	-	(65,539)	(9,323)
Commercial trading operations	5	(1,262,117)	-	(1,262,117)	(1,268,930)
		<u>(1,327,656)</u>	<u>-</u>	<u>(1,327,656)</u>	<u>(1,278,253)</u>
<i>Charitable activities</i>					
Operation of cinema and digital media projects	8	(2,115,971)	(946,192)	(3,062,163)	(2,877,507)
Donated services		-	(14,965)	(14,965)	(40,866)
CIC operation	6	(78,220)	(270,256)	(348,476)	(316,005)
Property management costs		(103,807)	-	(103,807)	(102,202)
<i>Governance costs</i>					
	7	(68,834)	-	(68,834)	(55,684)
Total resources expended		<u>(3,694,488)</u>	<u>(1,231,413)</u>	<u>(4,925,901)</u>	<u>(4,670,517)</u>
Net incoming/(outgoing) resources before transfers and Net income/(expenditure) for the year		25,849	20,000	45,849	(156,609)
Transfers between funds	19	109,868	(109,868)	-	-
Net movement in funds		<u>135,717</u>	<u>(89,868)</u>	<u>45,849</u>	<u>(156,609)</u>
<i>Reconciliation of funds</i>					
Total funds brought forward		6,017,938	1,667,206	7,685,144	7,841,753
Total funds carried forward		<u>6,153,655</u>	<u>1,577,338</u>	<u>7,730,993</u>	<u>7,685,144</u>

Incoming resources and resulting net movement in funds in each year arise from continuing operations.
 The group has no recognised gains or losses for the current or previous year other than those shown above.
 The notes on pages 21 to 36 form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2015

	2015	2014
	£	£
Net cash inflow from operating activities	403,379	211,739
Returns on investments and servicing of finance	-	1,848
Taxation paid	(1,273)	(1,500)
Capital expenditure and financial investment	(148,403)	(83,503)
	<hr/>	<hr/>
Net cash flow before financing	253,703	128,584
Financing – increase in loans	29,690	-
	<hr/>	<hr/>
Increase in cash	283,393	128,584
Cash at bank and in hand at beginning of year	660,966	532,382
	<hr/>	<hr/>
Cash at bank and in hand at end of year	944,359	660,966
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of operating profit to net cash flow from operating activities

	2015	2014
	£	£
Net incoming/(outgoing) resources	45,849	(156,609)
Tax on ordinary activities	5,330	4,460
Interest receivable	-	(1,848)
Depreciation charges	249,754	249,510
Change in stocks	(4,937)	(72)
Change in debtors	109,067	(273,527)
Change in creditors	(1,684)	389,825
	<hr/>	<hr/>
Net cash inflow from operating activities	403,379	211,739
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement of net funds

	2015	2014
	£	£
Increase in cash in period	283,393	128,584
Increase in loan	(29,690)	-
	<hr/>	<hr/>
Change in net funds	253,703	128,584
Net funds at 1 April 2014	580,966	452,382
	<hr/>	<hr/>
Net funds at 31 March 2015	834,669	580,966
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of changes in net funds

	At 1 April 2014	Cash flows	Non-cash movements	At 31 March 2015
	£	£	£	£
Net cash:				
Cash in hand and at the bank	660,966	283,393	-	944,359
Debt:				
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(80,000)	(29,690)	-	(109,690)
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	580,966	253,703	-	834,669
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 21 to 36 form part of these financial statements.

Consolidated and company balance sheets
 at 31 March 2015

	Note	Group		Charity	
		2015 £	2014 £	2015 £	2014 £
Fixed assets					
Tangible assets	12	7,601,605	7,702,956	7,555,065	7,676,568
Investments	13			50,101	50,101
		<u>7,601,605</u>	<u>7,702,956</u>	<u>7,605,166</u>	<u>7,726,669</u>
Current assets					
Stocks	14	24,023	19,086	-	-
Debtors	15	399,159	508,189	358,331	425,364
Cash at bank and in hand		944,359	660,966	597,332	497,325
		<u>1,367,541</u>	<u>1,188,241</u>	<u>955,663</u>	<u>922,689</u>
Creditors: due within one year	16	<u>(1,120,441)</u>	<u>(1,122,343)</u>	<u>(788,174)</u>	<u>(933,183)</u>
Net current assets		<u>247,100</u>	<u>65,898</u>	<u>167,489</u>	<u>(10,494)</u>
Total assets less current liabilities		<u>7,848,705</u>	<u>7,768,854</u>	<u>7,772,655</u>	<u>7,716,175</u>
Creditors: due after more than one year	17	<u>(109,690)</u>	<u>(80,000)</u>	<u>(109,690)</u>	<u>(80,000)</u>
Provisions for liabilities and charges	18	<u>(8,022)</u>	<u>(3,710)</u>	<u>-</u>	<u>-</u>
Net assets		<u>7,730,993</u>	<u>7,685,144</u>	<u>7,662,965</u>	<u>7,636,175</u>
Unrestricted income funds - general	19	314,173	122,710	246,145	73,741
Bristol + unrestricted designated fund	19	111,644	111,644	111,644	111,644
Head lease unrestricted designated fund	19	5,727,838	5,783,584	5,727,838	5,783,584
Restricted capital funds	20	1,577,338	1,667,206	1,577,338	1,667,206
Total funds		<u>7,730,993</u>	<u>7,685,144</u>	<u>7,662,965</u>	<u>7,636,175</u>

These financial statements were approved by the Council of Management on 23.09.2015 and were signed on its behalf by:



J Touzel
 Chair of the Board

The notes on pages 21 to 36 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), and Watershed Trading Limited and iShed CIC, its wholly owned trading subsidiaries made up to 31 March 2015.

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

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

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

Grants

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

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

Income

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

Turnover in respect of the restaurant, shop and bar takings is in the form of cash and credit 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 iShed CIC represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year in respect of events and consultancies and is accounted for on a receivable basis.

Donated services and facilities

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

Notes (continued)

1 Accounting policies (continued)

Expenditure

All expenditure is accounted for on an accruals basis.

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

Expenditure is recognised when a liability is incurred:

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

Leases

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

Stocks

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

Taxation

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

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

Fund accounting

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

Restricted funds

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

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

Unrestricted funds

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

Designated funds

A designated fund has been established to ring fence surpluses associated with the rental income from E & W Sheds. These funds will be applied to the charitable activities of the Arts Trust with particular emphasis on supporting the economic growth of the creative sector as a whole.

In 2011/12 a designated fund was established to hold the head lease of the properties funded by a capital grant from SWRDA (see note 19).

Subsidiaries

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

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

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

Furniture and fittings 10% - 20% per annum

Plant and equipment 10% - 33% per annum

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

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

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

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

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

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

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

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

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

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 profit and loss account.

2 Legal status of the charity

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2015 there were 10 members.

Notes (continued)

3 Grant and project income receivable

	Deferred as at 1 April 2014 £	Cash received & receivable 14/15 £	Credited to income & expenditure 14/15 £	Transferred to capital grants 14/15 £	Deferred as at 31 March 2015 £
Incoming resources from generated funds					
Grants and sponsorship:					
Restricted					
Arts Council England - Catalyst	84,109		(61,424)		22,685
Unrestricted					
Other grants – Europa Cinemas		12,871	(12,871)		
Total grants and sponsorship	84,109	12,871	(74,295)		22,685
Incoming resources from charitable activities					
Unrestricted					
Core grant funding					
Arts Council South West		744,290	(744,290)		
Bristol City Council		104,960	(104,960)		
British Film Institute		86,000	(86,000)		
Total regular grant funding		935,250	(935,250)		
Restricted					
Project funding - grants					
Arts Council England	879	27,000	(15,345)		12,534
British Film Institute	177,645	444,079	(536,518)		85,206
European Funding		12,550	(3,612)		8,938
Other grants		9,000	(6,111)		2,889
Project funding - other					
Bristol City Council	96,277	235,000	(235,580)		95,697
AHRC (via REACT Hub universities)		230,826	(192,008)		38,818
British Council	16,754	47,457	(59,211)		5,000
Other project funds	38,325	130,120	(106,639)		61,806
Total project funds	329,880	1,136,032	(1,155,024)		310,888
Total	413,989	2,084,153	(2,164,569)	-	333,573

4 Financial activities of the charity

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

The gross incoming resources for the year ended 31 March 2015 for the charity was £3,356,676 (2014: £2,946,254). The overall net incoming resources for the year was a surplus of £26,790 (2014: deficit of £170,803), with a surplus of £116,658 (2014: deficit of £103,197) on unrestricted reserves.

Notes (continued)

5 Trading subsidiary's results (Watershed Trading Limited)

	2015 Total £	2014 Total £
Turnover	1,581,553	1,494,967
Cost of sales	(1,104,498)	(1,115,861)
Gross profit	477,055	379,106
Administration and other costs	(152,290)	(149,882)
Trading profit	324,765	229,224
Other income	-	-
Net income	324,765	229,224
Gift aid payment to Watershed Arts Trust Limited	(120,047)	(33,393)
Management charge from Watershed Arts Trust Limited	(183,155)	(179,994)
Tax on profit on ordinary activities	(4,312)	(3,187)
Retained profit for the year	17,251	12,650
Retained profit brought forward	42,035	29,385
Retained profit carried forward	59,286	42,035

The assets and liabilities of the subsidiary were:

	2015 Total £	2014 Total £
Fixed assets	46,540	26,388
Current assets	356,099	218,468
Creditors: amounts falling due within one year	(335,231)	(199,011)
Provisions for liabilities and charges	(8,022)	(3,710)
Net assets	59,386	42,135
Equity shareholders' funds	59,386	42,135

Notes (continued)

6 Trading subsidiary's results (iShed CIC)

	2015 Total £	2014 Total £
Turnover	351,404	318,756
Cost of sales	(168,301)	(145,344)
Gross profit	183,103	173,412
Administration and other costs	(180,277)	(169,388)
Trading profit	2,826	4,024
Other income	-	-
Net income	2,826	4,024
Management charge from Watershed Arts Trust Limited	-	(1,207)
Tax on profit on ordinary activities	(1,018)	(1,273)
Retained profit for the year	1,808	1,544
Retained profit brought forward	6,934	5,390
Retained profit carried forward	8,742	6,934

The assets and liabilities of the subsidiary were:

	2015 Total £	2014 Total £
Current assets	184,393	101,048
Creditors: amounts falling due within one year	(125,650)	(44,113)
Net assets	58,743	56,935
Equity shareholders' funds	58,743	56,935

Notes (continued)

7 Allocation of support costs

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

	Charitable activities	Allocated to costs of generating voluntary income	Governance	Total
	£	£	£	£
Support cost				
General office	65,062	3,224	11,268	79,554
Finance office	125,275	6,790	33,687	165,752
External audit	-	-	14,381	14,381
Professional services	2,448	-	9,498	11,946
ICT costs	102,138	-	-	102,138
Fundraising costs	-	55,525	-	55,525
	<u>294,923</u>	<u>65,539</u>	<u>68,834</u>	<u>429,296</u>

8 Analysis of charitable expenditure

	Audience Engagement Programme	Cross art-form production	2015 Total	2014 Total
	£	£	£	£
Film hire costs	250,218	-	250,218	242,816
Front of house/projection costs	404,619	-	404,619	392,574
Direct programme/project costs	875,757	246,518	1,122,275	1,050,535
Marketing and publicity	249,978	75,928	325,906	381,495
Premises costs	301,243	127,128	428,371	368,555
Support costs	226,213	68,710	294,923	203,359
Depreciation	168,698	67,153	235,851	238,173
	<u>2,476,726</u>	<u>585,437</u>	<u>3,062,163</u>	<u>2,877,507</u>

Notes *(continued)*

9 Staff numbers and costs

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

	Number of employees	
	2015	2014
Cultural engagement programme	45	42
Administration	11	11
Catering	13	13
Bar	13	13
Conference	4	4
	86	83
	86	83

The aggregate payroll costs of these persons were as follows:

Group	2015	2014
	£	£
Directors' emoluments	45,177	42,254
Wages and salaries	2,046,552	1,811,475
Social security costs	171,487	153,001
	2,263,216	2,006,730
	2,263,216	2,006,730

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

The emoluments of one employee, including benefits in kind, are within the range of £60,000 to £70,000 (2014 – there was only one employee whose emoluments exceeded £60,000).

Notes (continued)

10 Net movement on funds is stated after charging

	2015	2014
	£	£
Auditors' remuneration – audit (Charity: £13,953)	24,924	26,604
Depreciation and other amounts written off tangible fixed assets	235,851	249,510
Hire of plant and machinery	-	5,165
	260,775	281,279

11 Taxation

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

	2015	2014
	£	£
Current tax		
UK corporation tax on results of the year	1,055	1,273
Deferred tax (see note 18)		
Origination/reversal of timing differences	4,275	3,187
	5,330	4,460

Factors affecting the tax charge for the current period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (20%), (2014: 20%). The differences are explained below:

	2015	2014
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	24,389	18,654
	4,877	3,731
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	(4,312)	(3,187)
Other timing differences	37	-
Expenses not deductible for tax purposes	453	729
	1,055	1,273

Notes (continued)

12 Tangible fixed assets

Group	Head lease	Leasehold improvements	Furniture and equipment	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,055,663	884,123	10,154,185
Disposals in the year	-	-	(38,299)	(38,299)
Additions	-	-	148,403	148,403
At end of year	<u>6,214,399</u>	<u>3,055,663</u>	<u>994,227</u>	<u>10,264,289</u>
<i>Depreciation</i>				
At beginning of year	430,816	1,255,459	764,954	2,451,229
Depreciation on disposals	-	-	(38,299)	(38,299)
Charge for year	55,745	102,583	91,426	249,754
At end of year	<u>486,561</u>	<u>1,358,042</u>	<u>818,081</u>	<u>2,662,684</u>
<i>Net book value</i>				
At 31 March 2015	<u>5,727,838</u>	<u>1,697,621</u>	<u>176,146</u>	<u>7,601,605</u>
At 31 March 2014	<u>5,783,583</u>	<u>1,800,204</u>	<u>119,169</u>	<u>7,702,956</u>

Notes (continued)

12 Tangible fixed assets (continued)

	Head lease	Leasehold improvements	Furniture and equipment	Total
Charity	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,055,663	767,304	10,037,366
Disposals in the year	-	-	(28,375)	(28,375)
Additions	-	-	114,348	114,348
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,055,663	853,277	10,123,339
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	430,816	1,255,459	674,523	2,360,798
Depreciation on disposals	-	-	(28,375)	(28,375)
Charge for year	55,745	102,583	77,523	235,851
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	486,561	1,358,042	723,671	2,568,274
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2015	5,727,838	1,697,621	129,606	7,555,065
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	5,783,583	1,800,204	92,781	7,676,568
	<hr/>	<hr/>	<hr/>	<hr/>

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

13 Fixed asset investments

Shares	Charity 2015	Charity 2014
	£	£
At the beginning of the year	50,101	50,101
	<hr/>	<hr/>
At the end of the year	50,101	50,101
	<hr/>	<hr/>

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

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

14 Stocks

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Finished goods and goods for resale	24,023	19,086	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Debtors

	Group		Charity	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	258,141	256,110	105,985	190,437
Prepayments and accrued income	139,641	247,142	126,624	202,377
Other debtors including taxation and social security	1,377	4,937	1,091	4,677
Amounts owed by group undertakings	-	-	124,631	27,873
	<u>399,159</u>	<u>508,189</u>	<u>358,331</u>	<u>425,364</u>

All debtors are recoverable within one year.

16 Creditors: amounts falling due within one year

	Group		Charity	
	2015 £	2014 £	2015 £	2014 £
Trade creditors	306,853	271,872	256,090	226,080
Other creditors including taxation and social security	215,586	221,517	93,969	128,662
Accruals and deferred income	598,002	628,954	434,132	552,350
Amounts owed to group undertakings	-	-	3,983	26,091
	<u>1,120,441</u>	<u>1,122,343</u>	<u>788,174</u>	<u>933,183</u>

Other creditors includes £170,857 (2014: £160,436) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £93,742 and deferred income comprising £16,550 of advance sales, £61,289 of conference deposits, £92,848 of rental income received in advance and £333,573 of grant and project income (note 3).

17 Creditors: amounts falling due after more than one year

	Group		Charity	
	2015 £	2014 £	2015 £	2014 £
Other loans	(109,690)	(80,000)	(109,690)	(80,000)
Analysis of loans				
Wholly repayable within 5 years	(109,690)	(80,000)	(109,690)	(80,000)

The creditor relates to an interest free loan from Bristol City Council of £80,000 to improve cash flow during a period of development. The loan is repayable on agreement between Watershed and Bristol City Council once Watershed is receiving an income stream from the rental of unit 5-8 of its head lease tenancies. This unit is now fully let but Watershed has not yet been asked to repay the loan.

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

Notes (continued)

18 Provisions and liabilities

Group	Deferred tax £
At beginning of year	3,710
Release in the year (note 11)	4,275
	7,985
Add back deferred tax asset (held in debtors)	37
	8,022

The elements of deferred taxation are as follows:

	2015 £	2014 £
Difference between accumulated depreciation and capital allowances	8,022	3,710
Other short term timing differences	(37)	-
	7,985	3,710

The charity has no deferred taxation liabilities.

19 Unrestricted income funds

	Group £	Charity £
At beginning of year	6,017,938	5,968,969
Movement in year before transfers	25,849	6,790
Transfer from restricted funds (note 20)	109,868	109,868
	6,153,655	6,085,627

	At beginning of year £	Incoming resources £	Expenditure £	Transfers £	Re- classification from restricted funds £	Balance at 31 March 2015 £
Unrestricted income funds						
General fund	122,710	3,720,337	(3,694,488)	165,614	-	314,173
<i>Designated Funds</i>						
Bristol+ contingency fund	111,644	-	-	-	-	111,644
Capital grants fund	5,783,584	-	-	(55,746)	-	5,727,838
	6,017,938	3,720,337	(3,694,488)	109,868	-	6,153,655

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

Notes (continued)

19 Unrestricted income funds (continued)

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

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

In 2011/12 the sum of £5,925,688 was reclassified as unrestricted funds. This represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the head lease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust. Therefore, it does not form part of the freely available reserves of the Trust. In 2014/15 the sum of £55,746 was transferred from this fund to undesignated income funds to match the depreciation on the asset the grant originally funded.

20 Restricted funds: Group and Charity

	At beginning of year	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of year
	£	£	£	£	£	£
Capital grants						
Leasehold premium reserve	9,882	-	(9,882)	-	-	-
Deferred capital grant	31,380	-	(1,601)	-	-	29,779
Deferred capital refurbishment grants	976,580	-	(67,433)	-	-	909,147
Lottery lease purchase grant	583,703	-	(8,712)	-	-	574,991
ACE GforA capital grant	52,888	-	(2,800)	-	-	50,088
BFI equipment grant	12,773	20,000	(19,440)	-	-	13,333
	1,667,206	20,000	(109,868)	-	-	1,577,338
Voluntary income						
Grants and Sponsorship	-	74,295	-	-	(74,295)	-
Incoming resources from charitable activities						
Project funding – grants	-	561,586	-	-	(561,586)	-
Project funding – other	-	593,438	-	-	(593,438)	-
Regular Grant funding	-	935,250	-	-	(935,250)	-
	-	2,164,569	-	-	(2,164,569)	-
	1,667,206	2,184,569	(109,868)	-	(2,164,569)	1,577,338

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.

Notes *(continued)*

20 Restricted funds: Group and Charity *(continued)*

Leasehold premium reserve

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

Deferred capital grant

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

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

Other capital grants

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

Voluntary income and project funding from charitable activities

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

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

21 Analysis of fund balances - group

	Unrestricted funds £	Restricted funds £	2015 Total £	2014 Total £
Fixed assets	6,024,267	1,577,338	7,601,605	7,702,956
Net current assets	247,100	-	247,100	65,898
Long term liabilities	(109,690)	-	(109,690)	(80,000)
Provisions for liabilities and charges	(8,022)	-	(8,022)	(3,710)
	<u>6,153,655</u>	<u>1,577,338</u>	<u>7,730,993</u>	<u>7,685,144</u>

Notes (continued)

22 Operating leases

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

	2015 Group and Charity plant and equipment £	2014 Group and Charity plant and equipment £
Expiring within:		
Less than 1 year	-	-
Two to five years	9,984	13,750
Greater than five years	-	-
	9,984	13,750
	9,984	13,750

23 Related party transactions

During the year legal fees of £5,672 (2014: £6,926) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £14,965 (2014: £40,866 was provided to the Watershed Group). James Touzel is a trustee of Watershed Arts Trust Limited, a Director of iShed CIC 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 January 2015.

The Board has delegated authority to the Managing Director 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 no fees (2014: £987) were paid to Burrell Durrant Hifle in respect of producer costs. John Durrant is a trustee of Watershed Arts Trust Limited, a Director of iShed CIC and a Director of Burrell Durrant Hifle.