

**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 2016

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Strategic Report

The Board of Trustees presents its annual report and the audited consolidated financial statements for the year ended 31 March 2016. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC (formerly 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 applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Objectives and Activities

Watershed Arts Trust Limited was incorporated in 1982. The charity is established to advance education and skills in and increase appreciation and understanding amongst organisations and members of the public of the arts. In January 2015 Watershed revised its Articles to include the use of digital technologies which are increasingly integrated into Watershed's creative practice and a key focus for the future.

Watershed delivers a diverse programme of films, events, festivals, artists' commissions, workshops and conferences placing audiences and participation at the heart of the organisation whilst responding to changing cultures, audience expectations and operating environments.

Watershed acts as a cultural hub and broker using skills and expertise in creative technology to play an enabling role across sectors of the wider cultural and creative economy, developing talent and promoting cultural exchange and diversity.

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.

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

Overview of the Year

The year to March 2016 was an exceptional one. Watershed reached out in many ways and people responded – thousands came to watch Crane Dance on the Harbourside, Playable City travelled to Lagos, Tokyo and Austin, Texas, and The Rooms captured the public's imagination. Over 110,000 people engaged with events beyond the building and over 400,000 people came through Watershed's doors to enjoy all that this unique centre has to offer including the diversity of cultural cinema, the Café/Bar, great events, and the inspiring Pervasive Media Studio. Cinema saw more of the public enjoying Watershed's programme than ever before. Surreal comedy "The Lobster" was the number one best seller and played for 10 weeks and it is the second biggest hit in Watershed's 34-year history. RIFE Magazine established itself as a powerful voice for young people and Watershed worked across Bristol with young people in Ashton Park, Bishopsworth, Brislington, Harbourside, Hartcliffe, Hengrove, Horfield, Totterdown and Witherwood; and installed work in Bedminster, Easton, Hartcliffe, Temple Quarter and The Island.

Watershed also recorded an exceptional year in terms of financial return. The growth in income and maintenance of key margins has enabled Watershed to add to its reserves held in the Bristol + designated fund. This brings Watershed closer to its target level of reserves, increasing stability and allowing for future investment.

Paid admissions to the venue programme overall totalled 159,180 exceeding the previous year by 16.75%. Cinema audiences hit an all-time high, showing an increase of 9% on 2014/15 audiences. In all, 456 individual film titles from 42 different countries from all around the world were represented in Watershed's cinema programme.

Watershed's rich cultural programme is supported by an audience engagement strategy reaching out to a diverse user-group. The intelligent use of its box office and customer relationship management systems has facilitated data driven decisions enabling Watershed to assess and target specific user groups. It also enables Watershed to build stronger relationships with audiences through the digital media via twitter, facebook and e-mail sign up. Regular visitors to the cinema continue to be rewarded through Watershed's loyalty card scheme with take up of the scheme increasing by 36% in the year:

- Loyalty Card scheme members - 19,354 (2015: 14,264)
- Followers on Twitter - 46,247 (2015: 35,442)
- Weekly e-mail subscribers - 28,756 (2015: 26,943)

Strategic Report (*continued*)

Watershed continued to apply its evaluation framework across the organisation to understand and influence the demographics of its audience. Surveys indicate that Watershed is continuing to make progress to reach diverse audiences. However, the proportion of young people under 24 who regularly attend Watershed was lower than desired and, to address this, a new pricing structure was introduced in July 2015. This enables any young person aged 24 and under to purchase a discounted cinema ticket regardless of status. Recent research indicates that ticket sales to students and the under 25s have increased by 48% since the scheme's introduction.

Watershed aims to be welcoming, inclusive and accessible to all. This year Watershed focused on welcoming Deaf and hard of hearing people and engaged with Arts Council England's (ACE) Agent for Change programme and working with David Ellington, a Deaf British Sign Language (BSL) user and consultant.

As part of the programme a signed welcome message was added to the front floor foyer and customer facing staff received Deaf awareness and basic sign language training. In January 2016, Watershed introduced a Deaf film club and a monthly "Deaf Conversations About Cinema" event (an opportunity for both Deaf/Hard of Hearing and hearing customers to come together to talk about a film following a descriptive subtitled screening).

The first event attracted an audience of 85 (deaf and hearing) and sparked much interest and positive feedback from the Deaf and Hard of Hearing communities.

Watershed also organised an event to celebrate 13 years of British Sign Language (BSL) and BBC Bristol's flagship programme "See Hear" celebrated BSL and the Deaf community with a weekend of film and events, attracting new audiences to Watershed. Of the 573 admissions 80% of visitors had not previously attended an event at Watershed.

Participation in the Agent for Change programme has been an extremely positive experience for Watershed and the initiative will continue beyond the 6 month funded period, firmly embedding the work within Watershed's programme.

Watershed continued to extend its reach and reputation beyond the building increasing engagement with artists and audiences locally, nationally and internationally. Over 26,000 people engaged with this year's Playable City Award winner "Urbanimals" across eight locations in Bristol and 10,000 members of the public attended "Crane Dance", a public artwork using creative technology produced by Pervasive Media Studio resident Laura Kriefman. Watershed's reach extended as far afield as Japan, with last year's Playable City award winner, Shadowing, touring to Tokyo.

The year marked the culmination of the REACT programme (a four-year collaboration between UWE Bristol, Watershed, and the Universities of Bath, Bristol, Cardiff and Exeter which was funded by AHRC) with a festival of research and innovation at The Rooms showcasing ideas supported by the project. Over 6,000 members of the public attended the event over its three day duration. REACT has been a huge success for Watershed and the REACT Alumni programme, in partnership with Station 12 and Upstarter, has resulted in the development of 8 new creative businesses.

In 2015/16 Watershed and UWE, Bristol applied to ACE's Creative Local Growth Fund and the European Regional Development Fund (ERDF) for funding to support a Regional Arts Incubation Network to support the development of cultural SMEs. Watershed received confirmation of a £500,000 grant from ACE in March 2016 and the ERDF match funding is expected to be confirmed in the coming year. The offer from ACE is conditional upon a successful outcome to the ERDF bid.

In the future, Watershed Ventures CIC (formerly iShed CIC) will focus on supporting artists in their transition from development to market. The company's name change was agreed by the Board in order to re-brand the company and better reflect its future direction.

Watershed recognises the contribution of an efficient and dedicated workforce in delivering this highly successful year and is mindful of the need to continue to invest in its staff and plan for future growth. In the year, Watershed continued its commitment to moving towards paying all staff a 'living wage' by increasing rates of pay for the lowest paid staff by 5%. The Board is committed to continuing to prioritise this.

As Watershed continues to grow it is increasingly important to manage human resources efficiently and maintain fit for purpose staffing structures. To this end a new computerised Human Resources management system was introduced in the year. The new system will assist Watershed in effectively managing and monitoring its staffing resource, including the application of its equal opportunities policy. Equality of opportunity is embedded in Watershed's core values and Watershed strives to reflect the diversity of the community in which it operates across its staffing and governance structures. For example, 5 of Watershed's in-house RIFE team are supported through the BAME Creative Access Programme. This will be an area of priority for Watershed in the coming years.

Strategic Report *(continued)*

Another key focus is Watershed's ability to expand capacity and improve resilience. This includes the on-going development of a major capital programme. Watershed operates a continuous review and upgrade programme and the latest investment took place between June 2015 and January 2016 following a detailed energy usage study by ARUP and a successful bid to the Arts Council's small capital scheme. This phase comprised three elements:

- Watershed upgraded its server, storage and networks to provide increased capacity enabling artists to fully engage with the Bristol Is Open network. This is a world leading digital connectivity environment led by University of Bristol and Bristol City Council, which came into operation in 2015 offering new opportunities for experiment and innovation.
- Improving overall environmental sustainability through retro-fitting LED lighting throughout Watershed's public spaces and offices.
- Replacing gas operated catering equipment with energy efficient electric induction alternatives.

ARUP assisted Watershed in the re-design of its lighting and the design and installation of energy efficient catering equipment was facilitated by SPACE.

The total investment in this phase was £344,996 of which £287,100 was supported by Arts Council funding. Watershed expects to see the full benefits of these investments in the coming year.

Watershed is also pleased to report a two year extension of its three-year commission from Bristol City Council's Bristol Youth Links to develop an on-line platform with and for Bristol's young people. This follows on from the huge success of RIFE magazine (launched in July 2014) which has been key to Watershed fulfilling its aim of increasing engagement with and opportunities for young people.

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 2015/16

In 2015/16 Watershed aimed to deliver its mission through the undertaking of activities to grow and develop the impact of the organisation in line with its Business Plan.

Strategic Report *(continued)*

The headline priorities were:

- 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

Achievements and performance

Watershed is 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 2015/16 the headline statistics are:

- Total visitors to Watershed for all purposes – 413,404
- Paid admissions for screenings, talks and events – 159,180
- People engaging with projects beyond Watershed – 118,799
- Young people (24 and under) attending all cinema screenings, events and workshops – 27,387
- Artists and creators supported – 311
- Cultural and community organisations collaborating on projects – 50
- Academics collaborating on research projects – 102
- University students engaged in study modules – 41
- Businesses collaborating on projects and/or resident in the Pervasive Media Studio – 75
- Website visitors (unique visits to Watershed sites) – 1,569,646

Leading Cultural Cinema

In 2015/16 Watershed continued to strengthen its reputation as a leader in the independent cultural exhibition sector providing a rich year-round programme of cultural moving image. Watershed's curatorial approach is to work with artists, partners and audiences to create a dialogue and promote engagement, diversity and participation in specialised film and media arts. Its enhanced programme of talks, events, festivals, projects, tours and debates at the venue and online provide the public with a quality cultural offer ensuring choice, value and access.

Watershed's moving image programme represented 42 countries including:

Argentina, Australia, Austria, Brazil, Bulgaria, Canada, Chile, China, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Iran, Ireland, Italy, Japan, Mexico, New Zealand, Norway, Palestine, Portugal, Puerto Rico, Russia, Senegal, South Korea, Spain, Sudan, Sweden, Switzerland, Taiwan, Thailand, Ukraine, United Arab Emirates, United Kingdom, United States of America.

Watershed presented:

- a total of 3,212 film screenings attracting 148,256 admissions
- 456 individual film titles (342 feature film titles)
- 67 British independent titles
- 75 enhanced screenings (films plus talks/question and answer sessions)
- 15 Repertory seasons
- 31 BME targeted events (excluding standard screenings) presented in collaboration with BME groups
- 306 (229 films and 77 events) events/screenings targeted at young people
- admissions to the overall programme from people aged 24 and under totalled 27,387
- 24 school screenings attracting 1,305 students
- 742 screenings with audio description provided (30 of these also included descriptive subtitling)

Watershed is in its third year of a four year agreement with the BFI to act as lead organisation of one of the nine Film Hubs around the UK that are part of the BFI Film Audience Network (BFI FAN). This initiative, developed by the BFI, enables 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.

Strategic Report *(continued)*

This has enabled Watershed to operate with a wider regional and national remit, reaching a wider public and increasing connections with its audiences. It has led to some nationally significant projects including:

BFI Love

Watershed co-ordinated and participated in this national initiative, supported by the BFI, to offer opportunities for diverse audiences around the country to experience and share the ways in which “love” has been presented in film on the big screen. A total of 770 screenings plus supporting activities were presented in 265 different locations across the country engaging 83,150 members of the public.

Impact of Conflict/Conversations About Cinema

This year Watershed extended Conversations About Cinema to a national programme, widening the conversation in partnership with other independent cinemas, to connect with audiences across the UK.

Watershed continued with last year’s theme of “impact of conflict”, creating a series of nationwide screenings and events, and an online platform to present and explore issues and ideas, inviting audiences to reflect on the ways in which conflict is framed.

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

Pioneering New Music and Film

Watershed continued to explore the creative connections across film and music through its annual Filmic strand, a partnership with St George’s and Colston Hall. In its fifth year, the focus was largely on ideas of technology in sound and vision, exploring the influence of electronic instruments and instrumentation on films and filmmakers.

Highlights of filmic included a two-month season of films featuring the earliest experiments with electronic instrumentation from Franz Waxman’s “The Bride of Frankenstein” to Vangelis’ “Chariots of Fire”.

<http://www.watershed.co.uk/news/filmic-2016/>

Cultural Diversity

Diversity is at the heart of Watershed’s ethos and is the driving force behind its creative programme. Highlights in the year include:

Queer Vision – 2016 saw the launch of Queer Vision, a newly branded and expanded LGBT strand building on Watershed’s partnership with Bristol Pride and UK partners across the BFI FAN. The festival encompassed lesbian, gay, bisexual and transgender cinema attracting national coverage in The Guardian Guide.

Bristol Pride Awards – Watershed is delighted to have been recognised as 'Best Employer' in the first ever Bristol Pride Awards, announced at the inaugural Bristol Pride Gala Ball.

Come The Revolution (CTR) – CTR is a collective of curators, programmers and creatives from Bristol and Birmingham committed to exploring and challenging black life experiences and cultural expression through cinema.

The collective presented a series of screenings, discussions and special events as part of the Festival of Ideas attracting attendance of 929. The programme was promoted through Ujima Radio, BBC Radio, The Observer, Bristol 24/7 and CTR social networks. A demographic survey of the season demonstrated an overwhelmingly positive response with 96% of respondents rating their experience as brilliant or good.

<http://come-the-revolution.tumblr.com/>

The Japan Foundation Touring Film Programme returned to Watershed showcasing Japanese cinema both past and present. The programme strand attracted a record 500 admissions.

Opportunities for young people – Developing young talent

Developing young people’s creativity and skills and contributing vital talent to the cultural sector is a key focus for Watershed. The approach taken is one of inclusivity and collaboration, working with young people to develop programmes and opportunities for them.

Future Producers is Watershed’s Talent Development programme for 18 - 24 year olds aimed at developing the competencies associated with becoming a producer in the cultural sector. The programme offers the opportunity for young people to work in collaboration with Watershed co-curating and delivering programmes for real audiences, working alongside professionals.

This year Watershed sent out a survey to 50 previous Future Producers to assess the impact of the programme. The results of the survey clearly demonstrated the value of the programme with many of the alumni citing that the programme helped them into employment within the creative sector.

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

Strategic Report *(continued)*

RIFE Magazine

RIFE Magazine celebrated its first birthday in June 2015. The magazine provides an on-line platform curated by young people for young people covering a wide range of topics around arts, culture, social issues and politics. 6 young content creators have been employed by Watershed so far this year (2 supported by Creative Access traineeship awards). The RIFE Guide launched in July 2015 as a sister site to RIFE - providing a guide to what's going on for young people in and around Bristol. RIFE continues to expand its reach with headline statistics:

- Website sessions - 135,338
- Website users - 108,805
- Pieces of content created by young people - 277

Other highlights of RIFE activity include:

- a showcase of work by young people with Bristol-based youth organisations and young people, exploring subjects as varied as perceptions of the police, the Bristol Zine scene, death, mental health and masculinity.
- Get Involved in the Arts: RIFE run masterclasses with arts professionals.

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

Film Academy

A free development programme for 16-19 year olds with a flair for filmmaking covering everything from storyboarding, shooting and editing to showcasing work on the big screen at Watershed.

The BFI Film Academy aims to bridge this gap and provide enthusiastic young people with the information and skills required to make a career in film. The 2015 programme saw Watershed's latest cohort transform the Café/Bar into a Neo-Tokyo after party following a screening of Katsuhiro Otomo's Akira.

<http://www.watershed.co.uk/dshed/bfi-film-academy-bristol/>

Creative Talent Development

Supporting talent development and innovation is an integral part of Watershed's work across its creative programme. Watershed's approach aims to build confidence and raise levels of aspiration, and to equip individuals and small companies with the skills and contacts they need to realise their ambitions. This is developed through the support of Producers who both mentor people and projects directly and actively develop communities of peer support.

Pervasive Media Studio

Watershed's Pervasive Media Studio is a multi-disciplinary research lab hosting a diverse community of artists, creative companies, technologists and academics exploring experience design and creative technology. The Studio is a formal partnership between Watershed, UWE Bristol and University of Bristol and has become a leading international hub for creative technologies embracing collaboration, research, innovation, incubation, production and teaching.

Projects supported by the studio in the year include:

- The Stick House – a dark gothic tale fusing film, music, performance and creative digital technology, developed at the PM Studio by Raucous, and promoted by Watershed, presented sell out performances at the Passenger Shed to much acclaim. A total of 3,376 people attended 66 performances.
- Crane Dance was produced by Pervasive Media Studio resident Laura Kriefman as a spectacular and inspiring public artwork attracting 10,000 people and drawing international attention to Bristol.

Headline statistics in the year include:

- 75 businesses collaborated on projects and/or were resident in the Pervasive Media Studio in the year.
- the studio supported five new talent residencies including Open Bionics (3D printed prosthetic hands), Roz Dean (creative producer) and Thomas Williams (composer and designer).
- Open Studio talks – a series of informal knowledge sharing presentations led by studio residents. In all 28 events took place attracting 1,030 attendees.

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

Strategic Report *(continued)*

Art + Technology Innovation

Playable City

Watershed's Playable City programme comprises an annual international award, workshops and exhibitions around the world. The programme supports artistic interventions that re-use the fabric of the city to create shared public experiences. The profile of the concept has grown considerably over the past year and this year's award attracted entries and media attention from around the globe. The winner, Urbanimals by LAX, was presented across eight sites on the streets of Bristol over a ten week period.

In addition, the previous year's award winner, Shadowing was presented in both York and Tokyo.

Watershed continues to work in partnership with the British Council to develop a Playable City platform as a strategic international intervention and this year the programme was extended to Lagos, Nigeria. A two week lab in Lagos, in partnership with Future Lagos and supported by the British Council, brought together a group of creatives from Lagos and the UK to exchange and develop ideas.

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

<https://www.playablecity.com/>

Being There - Humans and Robots in Public Spaces

Being There is a three-year EPSRC funded project, supporting cross-sector exchange between practitioners, technologists and academics exploring how cutting-edge robotics can enable people to participate in public spaces, as a place to meet and share ideas.

The project is a collaboration between UWE Bristol's Robotics Lab, Oxford University's Department of Computer Science, Queen Mary's School of Electronic Eng. & Computer Science, Bath's CREATE Lab and Department of Psychology and Exeter's Department of Psychology.

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 over a period of four years. The project drew to a close this year culminating with a festival of research and innovation (see overview of the year).

Projects developed as part of REACT have gone on to secure investment, further funding and commissions across the world. For example, Fabulous Beasts is a new product at the forefront of an emerging practice around digital/physical gaming which was developed through the REACT Play Sandbox programme. London based company Sensible Object developed, launched and promoted the product at the Pervasive Media Studio as a result of the unique Sandbox model of support and community of leading practitioners.

The Sandbox schemes as part of the REACT Hub are presented online at <http://www.react-hub.org.uk/>

No Boundaries Conference

Working in partnership with other cultural organisations, Watershed curated and delivered the No Boundaries conference (part of the ACE's State of the Arts thought leadership programme). The conference focused on presenting questions and challenging new ideas on the role of arts and culture, finding positive approaches to influence change and support the sector's growth in a world of unknowns. Watershed's technical capacity enabled the conference to take place at Watershed and HOME in Manchester simultaneously with a live link broadcasting talks between the two venues. This set a new industry standard for accessible and diverse conference programming.

<http://www.watershed.co.uk/whatson/6330/no-boundaries-2015>

Strategic Report *(continued)*

Monitoring and Evaluation

Watershed evaluates its performance on a regular basis to ensure that it stays relevant to its audiences, artists and collaborators, keeping 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. Large projects are subject to external evaluation which is made available to a wider audience.

Regular demographic surveys and audience research took place throughout the year enabling Watershed to maintain an insight into its audience and response to the creative programme. Watershed also participated in partner surveys with the BFI working with Morris Hargreaves McIntyre and Culture Counts.

Audience profiling has been further assisted by the installation of Audience Finder software on our Box Office system and we are using the dashboard to help profile our audiences.

A cross-departmental Evaluation Working Group was set up in the year to disseminate information throughout the organisation and to raise the understanding of the importance of data collection and the value of the work to the whole organisation. Watershed continues to work with Ann Millman to refine its monitoring and evaluation methodology.

Financial review

The consolidated balance sheet set out on page 21 shows an increase in unrestricted income funds (general fund and Bristol + designated fund) of £213,770 in the year (2015: £191,463). This is an excellent out-turn, and will significantly boost Watershed's reserves towards its target level.

Following Board approval, the sum of £184,120 has been transferred into the Bristol + designated fund to ring-fence reserves for future investment as outlined in Watershed's reserves policy (page 11).

Following an excellent result in 2014/15, Watershed once again exceeded budget expectations by a wide margin producing Watershed's best financial performance to date. The exceptional result is due to a consistently strong financial performance across the organisation as a whole, with sales exceeding budget expectations across café/bar, conferencing and cinema activities. In addition, Watershed secured over £2 million in project funds (grants and contracts for services) to support its charitable activities. This has enabled Watershed to increase its creative output and expand its public reach.

Stringent financial controls have enabled Watershed to maintain tight margins on sales, maximising the income generated.

The consolidated results set out on pages 19 to 21 show a surplus of £329,202 (2015: £45,849) for the year. The surplus on unrestricted funds for the year totalled £158,024 (2015: £135,717). Further details are set out in notes 20 and 21.

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

Watershed Trading Limited made donations of £133,881 (2015: £120,047) through gift aid to the Charity and generated profits before tax of £5,000 (2015: £21,563). The two main sources of income generation for the Trading Company are:

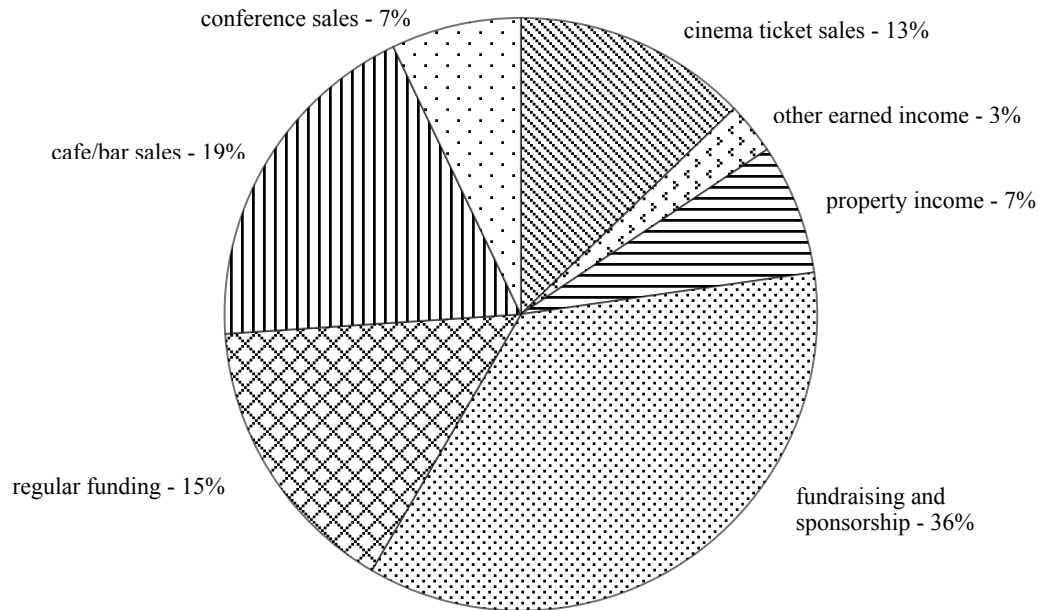
- Café/bar food and liquor sales totalled £1,129,726 (2015: £1,107,091). Sales overall show a 2% increase on the previous year, an excellent result given that Watershed's kitchen was closed for refurbishment throughout the whole of December. A continued focus on cost control and careful menu planning has enabled Watershed to maintain its margins in the year despite the disruption.
- Conference sales totalled £442,806 (2015: £426,603). This is an increase of 3.8% on the previous year and reflects Watershed's drive to increase conference business through new initiatives and take a flexible approach to meeting the needs of clients.

The charity's wholly owned subsidiary, **Watershed Ventures CIC** (formerly 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.

Watershed Ventures CIC generated profits before tax of £4,581 (2015: £2,826) and total revenue of £531,940 (2015: £351,404).

Strategic Report (continued)

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



Watershed’s financial model is designed to provide the organisation with both flexibility and resilience enabling it to respond to opportunities and meet the challenges of the ever-changing environment in which it operates.

Watershed’s income portfolio is complex and comes from a wide range of sources. Sales revenue from cinema ticket sales, head lease tenancies and from Watershed’s trading subsidiary (café/bar and conference sales) account for 49% of Watershed’s total turnover in 2015/16. Whilst Watershed’s ability to generate such a large percentage of its income from within increases its resilience, these areas of the business are sensitive to external market forces such as changing trends, public demand and the general economic climate. Watershed recognises the importance of listening to its audience and clients and responding to changes in the market place. Performance is monitored closely throughout the year and careful financial controls are in place to ensure that costs are well managed. This enables Watershed to maximise revenue from these sources.

In the year, Watershed’s targeted approach to audience development, investment in strategic marketing and careful curation of its cultural cinema programme resulted in an increase of 9% in its cinema audience and 12% in ticket sales.

Understanding the interdependencies between different areas of the business and striking a delicate balance between commercial sales (through the Trading Company) and creative outputs is key to Watershed’s success.

Specific areas of activity essential to delivering Watershed’s charitable objectives are supported primarily by one off funds raised through partnership agreements, restricted project grants and contracts for services. In 2015/16 funding from these sources accounted for 36% of Watershed’s total turnover, totalling in excess of £2 million. This is a significant increase on funds of £1.2 million secured for 2014/15.

Working in partnership and nurturing these relationships is vital to Watershed’s mode of operation. Watershed continued to develop two potentially long term partnerships in the year with Bristol City Council, to deliver a “virtual youth network” and the British Film Institute (BFI), to act as a lead hub organisation (HLO) as part of the national Film Audience Initiative. In the year, the commission from the City Council was extended for a further two years paying testament to Watershed’s strong delivery of the service.

In addition, to receiving BFI support as an HLO Watershed also received substantial one-off funding to co-ordinate and produce a national programme of cinema screenings and events around the theme of “love”. These continuing partnerships have a significant impact on Watershed’s delivery of a wide public benefit across key areas of activities in support of Watershed’s charitable objectives.

Strategic Report *(continued)*

Another important relationship for Watershed is with the British Council around the development of the Playable City concept. This year funding was secured to expand Playable City internationally through workshops and exhibitions in Lagos and Japan. The exploration of Playable City's global appeal will continue in the coming years.

The operational costs of the PM Studio continue to be supported through a collaboration agreement with the University of the West of England (UWE) and the University of Bristol (UoB). The agreement was originally entered into as a five year arrangement in 2011/12 and it is expected that the agreement will be extended for a further 5 years in the coming financial year. This arrangement enables Watershed to extend collaborations into the HE sector such as the REACT hub and the Being There robotics project with Exeter University. In the coming year Watershed will work with UWE to raise funds to develop an initiative to create a Regional Arts Incubation Network providing incubation support for creative talent to develop entrepreneurial ideas for market.

Watershed continues to actively engage with its regular funders Arts Council England (ACE) and Bristol City Council (BCC). 2015/16 is the first year of a renewed "National Portfolio" funding arrangement with ACE as a national cultural provider and of a new three year funding arrangement with Bristol City Council as a Key Arts Provider for the City.

This funding accounts for 15% of Group turnover. Whilst this is a relatively modest percentage of overall turnover it is none the less an essential part of Watershed's financial equation enabling the organisation to progress its business plan and maintain its cultural offer. These funds are always susceptible to changes in government policy and Watershed is mindful that in-year cuts may be incurred over the duration of these agreements and must position itself to be able to respond and adapt accordingly. Watershed aims to be as self-sustaining as possible and maintains a resilient and flexible financial model. It continually works to improve self-sustainability, maximising current income strands and seeking out new sources of income. As demand from both the public and partners continues to grow Watershed is well positioned to take advantage of opportunities as they arise.

As part of its commitment to increase resilience and self-sustainability, Watershed continues to explore fundraising through individual giving and private sponsorship. The fund-raising campaign launched in February 2015 continued in the year targeting regular users of Watershed to raise funds to support activities focused around young people and creative talent. At the end of 2015/16 a total of £52,405 has been raised by the campaign (£38,258 attributable to the 2015/16 financial year).

Financial monitoring

Watershed monitors its financial position closely throughout the year from both a budget and cash flow perspective. A stringent budgeting process ensures that income projections and margins are realistic and achievable. Overhead and administration costs are reviewed annually to ensure maximum cost efficiency and value for money. Suppliers are selected on the basis of quality of service and value for money. Savings are made wherever possible without compromising the quality of the offer. Progress against financial targets is monitored closely through the production and analysis of monthly management accounts and weekly reports tracking sales and key margins.

Financial performance is reviewed monthly by Watershed's executive team and bimonthly by Watershed's Board.

The application of restricted funds is carefully monitored through individual profit and loss accounts which are set up for each project to which restricted funds relate. This ensures that funds are correctly applied and project activity remains within the budget parameters set.

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

These tight but flexible systems minimise risk and deliver financial stability. Early detection of potential budget or cash flow issues enables 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.

Strategic Report (continued)

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	£343,823
Designated fund – Bristol +	<u>£295,764</u>
Total	£639,587

**note – net current assets available at 31 March 2016 stand at £483,113*

In 2011/12 a designated fund was established to ring fence the balance of the head lease purchased with a capital grant from SWRDA in 2007. These funds became unrestricted in 2011/12. Watershed has £5,672,092 held in this fund at the end of 2015/16. 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.

Strategic Report *(continued)*

General Fund reserves will be built up over coming 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 (£295,764) 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 remain to:

- 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

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.

Key areas of risk identified include public subsidy, external competition from other cinemas and catering outlets, capital funds for renewal and investment and organisational capacity.

Watershed maintains a constant awareness of changes to its operating environment, regularly monitoring and re-assessing the key areas of risk to the business and taking action as appropriate.

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. Watershed's risk register was reviewed and updated in March 2016.

Trustees' Report

Structure, governance and management

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

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

Watershed's governance structure reflects and supports 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.

The Board, which administers the Charity, meets 5 times a year. Potential members are invited to attend Board meetings as observers for a short period of time. In due course official appointment is made by serving members if deemed appropriate. Prior to appointment new members are familiarised with Watershed's memorandum and articles of association, business plan and recent financial performance.

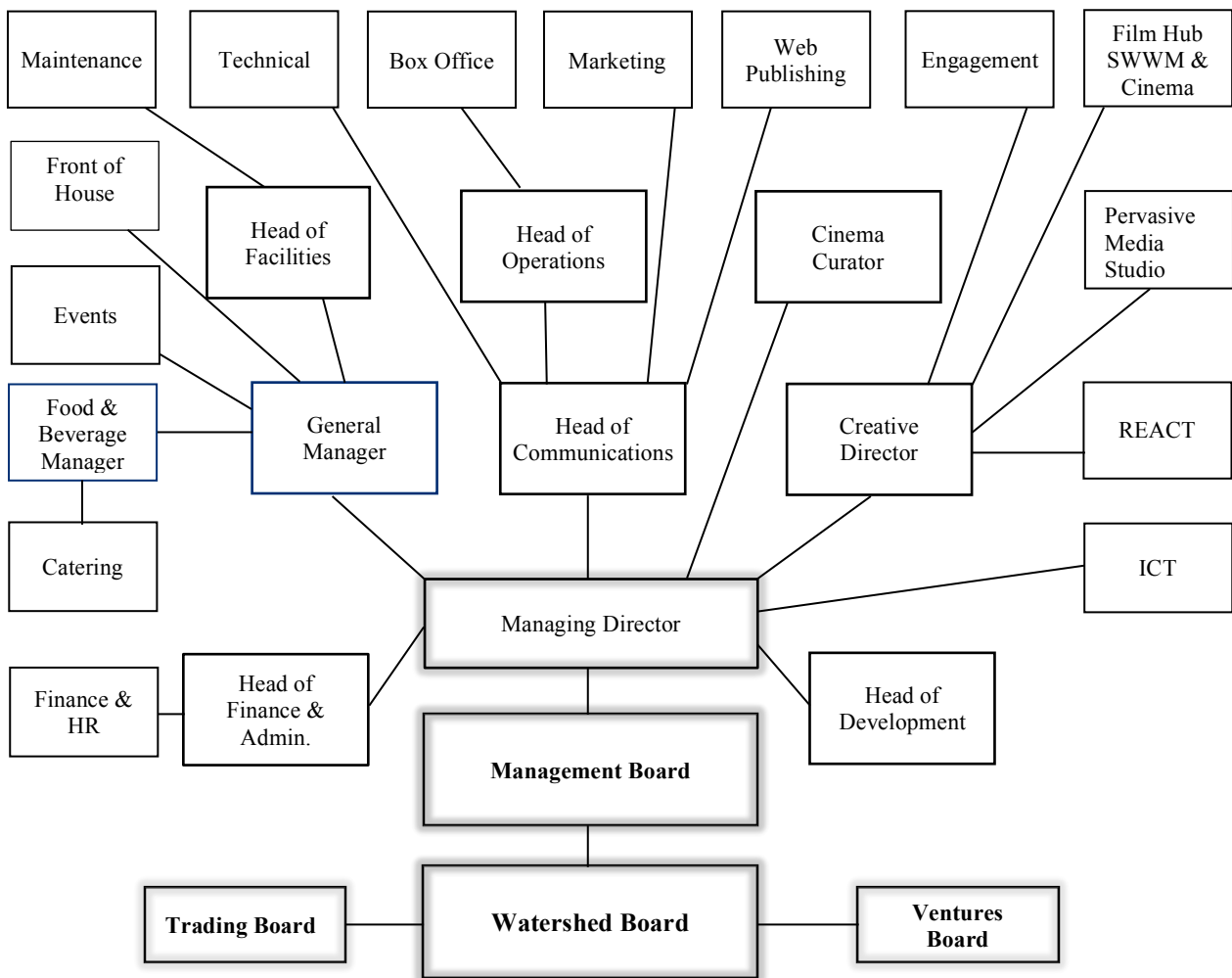
Watershed is working to diversify its Board to embed young people more deeply in the organization, more closely reflect the community it represents and to provide the skill set required to develop the organisation as it moves forward. To this end three new appointments were made in 2015/16 including one of Watershed's young RIFE alumni.

Trustees’ Report *(continued)*

To ensure that its Board members are fully aware of their responsibilities Watershed employed the services of Veale Wasbrough Vizards in the year to provide a training workshop for Board members. The workshop covered Board responsibilities and good governance and offered an interactive session around issues specific to Watershed including ethics.

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 to the Head of Communications. Senior managers take responsibility for the day-to-day operation of the Arts Trust, Watershed Ventures and Trading company. The Managing Director focuses on strategy and co-ordination across the group.

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.

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.

Rates of pay for Watershed’s staff (including senior management) are determined by a graded pay structure. The remuneration of the Managing Director sits outside of this structure and is approved by the Board of Trustees in line with the level of responsibility of the role. Significant changes to any individual senior manager’s remuneration and across the board annual pay increases are also approved by the Board of Trustees.

Watershed’s Board of Trustees are voluntary and receive no remuneration.

Trustees' Report *(continued)*

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

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

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

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

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

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

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

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

Reference and administrative details

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

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

Trustees

J. Touzel (Chair)

S. Ahmed (appointed 23 September 2015)

P. Appleby

D. Bunyan

S. Cooper (appointed 23 September 2015)

J. Durrant

A. Gilkison

L. Gardner (previously Bilbe)

S. Gatfield

S. Johnson (appointed 23 September 2015)

S. Luton (resigned 20 January 2016)

S. Wilson

Clr. E. Tincknell

Trustees' Report *(continued)*

Secretary: Lisa Gardner
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

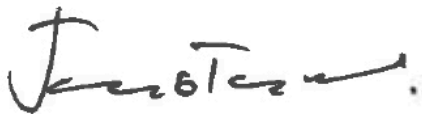
Disclosure of information to auditors

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 Board meeting held on 23 September 2016.

By order of the Board



J Touzel
Chair of the Board

1 Canon's Road
Bristol
BS1 5TX

Date 7 December 2016

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 2016 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 27. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 15, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 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, based on the work undertaken in the course of the audit, 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, and the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

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

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

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

9/12/16

Consolidated statement of financial activities (including an income & expenditure account)
for the year ended 31 March 2016

	<i>Note</i>	Unrestricted Funds	Restricted Funds	Total Funds 2016	Total Funds 2015
		£	£	£	£
Income					
<i>Voluntary income</i>					
<i>Donations and legacies</i>					
Individual giving		38,258	-	38,258	14,147
Donated services		-	11,712	11,712	14,965
Regular grant funding	4	926,649	-	926,649	935,250
<i>Other trading activities</i>					
Commercial trading operations	6/7	1,602,753	-	1,602,753	1,575,075
<i>Investment income</i>					
Interest receivable		-	-	-	555
		<u>2,567,660</u>	<u>11,712</u>	<u>2,579,372</u>	<u>2,539,992</u>
<i>Income from charitable activities</i>					
Earned income from cinema activities		817,336	-	817,336	758,084
Rental income		218,056	-	218,056	193,557
Service charges		106,880	-	106,880	96,172
Other earned income		160,976	-	160,976	134,626
Project funds	4	9,206	2,076,169	2,085,375	1,229,319
		<u>1,312,454</u>	<u>2,076,169</u>	<u>3,388,623</u>	<u>2,411,758</u>
<i>Other income</i>					
Capital grants		-	287,100	287,100	20,000
Total income		<u>3,880,114</u>	<u>2,374,981</u>	<u>6,255,095</u>	<u>4,971,750</u>
Expenditure					
<i>Costs of raising funds</i>					
Fundraising costs	8	(76,525)	-	(76,525)	(65,539)
Commercial trading operations	6	(1,299,667)	-	(1,299,667)	(1,262,117)
		<u>(1,376,192)</u>	<u>-</u>	<u>(1,376,192)</u>	<u>(1,327,656)</u>
<i>Charitable activities</i>					
Operation of cinema, engagement and creative media projects	9	(2,359,957)	(1,576,634)	(3,936,591)	(3,130,997)
Donated services		-	(11,712)	(11,712)	(14,965)
CIC operation	7	-	(499,535)	(499,535)	(348,476)
Property management costs		(101,863)	-	(101,863)	(103,807)
Total expenditure		<u>(3,838,012)</u>	<u>(2,087,881)</u>	<u>(5,925,893)</u>	<u>(4,925,901)</u>
Net income/(expenditure) before transfers and Net income/(expenditure) for the year		42,102	287,100	329,202	45,849
Transfers between funds	20	115,922	(115,922)	-	-
Net movement in funds		<u>158,024</u>	<u>171,178</u>	<u>329,202</u>	<u>45,849</u>
<i>Reconciliation of funds</i>					
Total funds brought forward		6,153,655	1,577,338	7,730,993	7,685,144
Total funds carried forward		<u>6,311,679</u>	<u>1,748,516</u>	<u>8,060,195</u>	<u>7,730,993</u>

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

Consolidated cash flow statement

for the year ended 31 March 2016

	2016 £	2015 £
Cash flows from operating activities		
Net income	329,202	45,849
Depreciation of tangible assets	278,296	249,754
Loss on disposal of fixed assets	17,675	-
Taxation	4,144	4,057
Change in trade and other debtors	(5,806)	109,067
Change in stocks	4,269	(4,937)
Change in trade and other creditors	(252,028)	(1,684)
	375,752	402,106
Cash flows from investing activities		
Purchases of tangible assets	(369,160)	(148,403)
	(369,160)	(148,403)
Cash flows from financing activities		
Increase/(decrease) in loan/long term creditors	(20,000)	29,690
	(20,000)	29,690
Cash at bank and in hand at beginning of year	944,359	660,966
Cash at bank and in hand at end of year	930,951	944,359

Consolidated and company balance sheets

at 31 March 2016

	Note	Group		Charity	
		2016 £	2015 £	2016 £	2015 £
Fixed assets					
Tangible assets	13	7,674,794	7,601,605	7,642,616	7,555,065
Investments	14	-	-	50,101	50,101
		<u>7,674,794</u>	<u>7,601,605</u>	<u>7,692,717</u>	<u>7,605,166</u>
Current assets					
Stocks	15	19,754	24,023	-	-
Debtors	16	404,928	399,159	472,387	358,331
Cash at bank and in hand		930,951	944,359	574,595	597,332
		<u>1,355,633</u>	<u>1,367,541</u>	<u>1,046,982</u>	<u>955,663</u>
Creditors: due within one year	17	(872,520)	(1,120,441)	(662,261)	(788,174)
Net current assets		483,113	247,100	384,721	167,489
Total assets less current liabilities		8,157,907	7,848,705	8,077,438	7,772,655
Creditors: due after more than one year	18	(89,690)	(109,690)	(89,690)	(109,690)
Provisions for liabilities and charges	19	(8,022)	(8,022)	-	-
Net assets		8,060,195	7,730,993	7,987,748	7,662,965
Unrestricted income funds - general	20	343,823	314,173	271,376	246,145
Bristol + unrestricted designated fund	20	295,764	111,644	295,764	111,644
Head lease unrestricted designated fund	20	5,672,092	5,727,838	5,672,092	5,727,838
Restricted capital funds	21	1,748,516	1,577,338	1,748,516	1,577,338
Total funds		8,060,195	7,730,993	7,987,748	7,662,965

These financial statements were approved by the Board on



J Touzel

Chair of the Board

and were signed on its behalf by:

Notes

(forming part of the financial statements)

1 Accounting policies

Company information

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

Basis of preparation

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

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

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

Transition to FRS 102

These financial statements for the year ended 31 March 2016 are the first financial statements of Watershed Arts Trust Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. Although changes have been made to format and terminology throughout the accounts, so as to comply with the new standards, there has been no impact on reported financial position or performance.

Basis of consolidation

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC (formerly iShed CIC), its wholly owned trading subsidiaries made up to 31 March 2016.

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

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

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

Income

Voluntary income

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

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

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

Income from charitable activities

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

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

Donated services and facilities

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

Expenditure

All expenditure is accounted for on an accruals basis.

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

Expenditure is recognised when a liability is incurred:

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

Leases

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

Stocks

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

Taxation

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

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

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

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

Fund accounting

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

Notes *(continued)*

1 Accounting policies *(continued)*

Restricted funds

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

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

Unrestricted funds

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

Designated funds

The Bristol + contingency fund is a designated development fund specifically to ring fence surpluses associated with the rental income from E & W sheds. Other surpluses may also be transferred to this fund at the discretion of the Board. This designated fund is for the purpose of:

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

In 2015/16 the sum of £189,283 was transferred from the general fund to the Bristol + contingency fund.

Subsidiaries

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

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

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

Furniture and fittings 10% - 20% per annum

Plant and equipment 10% - 33% per annum

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

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

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

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

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

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments

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

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

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

Basic financial assets

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

Basic financial liabilities

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

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

Cash and cash equivalents

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

Foreign currency policy

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

2 Critical accounting judgments and key sources of estimation uncertainty

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

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

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

3 Legal status of the charity

The Watershed Arts Trust Limited is a company limited by guarantee and, as such, has no share capital. In the event of winding up, each member is liable to contribute a maximum of £1. As at 31 March 2016 there were 12 members.

Notes *(continued)*

4 Grant and project income receivable

	Deferred as at 1 April 2015 £	Cash received & receivable 15/16 £	Credited to income & expenditure 15/16 £	Transferred to capital grants 15/16 £	Deferred as at 31 March 2016 £
Income from donations and legacies					
Unrestricted					
Regular grant funding					
Arts Council South West	-	744,289	(744,289)	-	-
Bristol City Council	-	104,960	(104,960)	-	-
British Film Institute	-	77,400	(77,400)	-	-
Total regular grant funding	-	926,649	(926,649)	-	-
Income from charitable activities					
Other unrestricted grants					
Europa Cinemas	-	9,206	(9,206)	-	-
Total other grants	-	9,206	(9,206)	-	-
Restricted					
Project funding - grants					
Arts Council England	35,219	115,000	(150,219)	-	-
British Film Institute	85,206	831,638	(877,532)	-	39,312
European Funding	8,938	5,000	(13,938)	-	-
Other grants	2,889	39,562	(35,533)	-	6,918
Project funding - other					
Bristol City Council	95,697	193,167	(286,364)	-	2,500
AHRC (via REACT Hub universities)	38,818	419,471	(450,716)	-	7,573
British Council	5,000	133,335	(101,261)	-	37,074
Other project funds	61,806	98,800	(160,606)	-	-
Total project funds	333,573	1,835,973	(2,076,169)	-	93,377
Total	333,573	2,771,828	(3,012,024)	-	93,377

5 Financial activities of the charity

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

The gross incoming resources for the year ended 31 March 2016 for the charity was £4,472,404 (2015: £3,356,676). The overall net incoming resources for the year was a surplus of £324,783 (2015: £26,790), with a surplus of £153,605 (2015: £116,658) on unrestricted reserves.

Notes *(continued)*

6 Trading subsidiary's results (Watershed Trading Limited)

	2016 Total £	2015 Total £
Turnover	1,621,928	1,581,553
Cost of sales	(1,131,664)	(1,104,498)
	<hr/>	<hr/>
Gross profit	490,264	477,055
Administration and other costs	(164,190)	(152,290)
	<hr/>	<hr/>
Trading profit	326,074	324,765
Other income	-	-
	<hr/>	<hr/>
Net income	326,074	324,765
Gift aid payment to Watershed Arts Trust Limited	(133,881)	(120,047)
Management charge from Watershed Arts Trust Limited	(187,193)	(183,155)
Tax on profit on ordinary activities	(3,813)	(4,312)
	<hr/>	<hr/>
Retained profit for the year	1,187	17,251
Retained profit brought forward	59,286	42,035
	<hr/>	<hr/>
Retained profit carried forward	60,473	59,286
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2016 Total £	2015 Total £
Fixed assets	32,178	46,540
Current assets	369,992	356,099
Creditors: amounts falling due within one year	(333,575)	(335,231)
Provisions for liabilities and charges	(8,022)	(8,022)
	<hr/>	<hr/>
Net assets	60,573	59,386
	<hr/> <hr/>	<hr/> <hr/>
Equity shareholders' funds	60,573	59,386
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

7 Trading subsidiary's results Watershed Ventures CIC (formerly iShed CIC)

	2016	2015
	Total	Total
	£	£
Turnover	531,940	351,404
Cost of sales	(436,650)	(168,301)
	<hr/>	<hr/>
Gross profit	95,290	183,103
Administration and other costs	(61,536)	(180,277)
	<hr/>	<hr/>
Trading profit	33,754	2,826
Other income	-	-
	<hr/>	<hr/>
Net income	33,754	2,826
Management charge from Watershed Arts Trust Limited	(29,173)	-
Tax on profit on ordinary activities	(1,349)	(1,018)
	<hr/>	<hr/>
Retained profit for the year	3,232	1,808
Retained profit brought forward	8,742	6,934
	<hr/>	<hr/>
Retained profit carried forward	11,974	8,742
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiary were:

	2016	2015
	Total	Total
	£	£
Current assets	88,023	184,393
Creditors: amounts falling due within one year	(26,048)	(125,650)
	<hr/>	<hr/>
Net assets	61,975	58,743
	<hr/> <hr/>	<hr/> <hr/>
Equity shareholders' funds	61,975	58,743
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

8 Allocation of support costs

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

	Charitable activities	Fundraising costs	Governance	Total
	£	£	£	£
Support cost				
General office	83,494	-	14,028	97,522
Finance office	145,446	-	34,832	180,278
External audit	-	-	13,350	13,350
Professional services	-	-	11,068	11,068
Fundraising costs	-	76,525	-	76,525
	<u>228,940</u>	<u>76,525</u>	<u>73,278</u>	<u>378,743</u>

9 Analysis of charitable expenditure

	Audience Engagement Programme	Creative technology and talent development projects	2016 Total	2015 Total
	£	£	£	£
Cinema Screening – direct costs	780,481	-	780,481	654,837
Direct programme/project costs	992,108	481,879	1,473,987	1,122,275
Arts programme management and marketing	368,904	286,968	655,872	325,906
Premises costs	371,966	91,785	463,751	428,371
General support costs	183,629	45,311	228,940	294,923
Governance costs	58,775	14,503	73,278	68,834
Depreciation	202,580	57,702	260,282	235,851
	<u>2,958,443</u>	<u>978,148</u>	<u>3,936,591</u>	<u>3,130,997</u>

Notes *(continued)*

10 Staff numbers and costs

The average headcount in the year for the group was 135 (2015: 136).

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	
	2016	2015
Cultural engagement programme	47	45
Administration	11	11
Catering	13	13
Bar	13	13
Conference	4	4
	88	86
	88	86

The aggregate payroll costs of these persons were as follows:

	2016	2015
Group	£	£
Directors' emoluments	-	45,177
Wages and salaries	2,155,943	2,046,552
Social security costs	177,197	171,487
	2,333,140	2,263,216
	2,333,140	2,263,216

During the year, the Trustees were not paid any remuneration or reimbursed for expenses, and no Trustees (2015 – one Trustee) made donations to the charity (2015 - £500 was donated).

Key management compensation in total for the year was £78,896 (2015: £89,603).

The emoluments of one employee, including benefits in kind, are within the range of £70,000 to £80,000 (2015 – the emoluments of one employee, including benefits in kind, was within the range of £80,000 - £90,000).

Notes (continued)

11 Net movement on funds is stated after charging

	2016 £	2015 £
Auditors' remuneration – audit (Charity: £13,350)	25,950	23,400
Depreciation and other amounts written off tangible fixed assets	278,296	235,851
Inventories recognised as an expense	(4,269)	4,937
	<hr/>	<hr/>
	299,977	264,188
	<hr/> <hr/>	<hr/> <hr/>

12 Taxation

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

	2016 £	2015 £
Current tax		
UK corporation tax on results of the year	5,162	1,055
Deferred tax (see note 19)		
Origination/reversal of timing differences	-	4,275
	<hr/>	<hr/>
Tax on profit on ordinary activities	5,162	5,330
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (20%), (2015: 20%). The differences are explained below:

	2016 £	2015 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,581	24,389
	<hr/>	<hr/>
Current tax at 20% - Watershed Trading Ltd 20% - Watershed Ventures CIC 20%	1,916	4,877
<i>Effects of:</i>		
Depreciation for period in excess of capital allowances	-	(4,312)
Other timing differences		37
Expenses not deductible for tax purposes	3,246	453
	<hr/>	<hr/>
Total current tax charge (see above)	5,162	1,055
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

13 Tangible fixed assets

	Head lease	Leasehold improvements	Furniture and equipment	Total
Group	£	£	£	£
<i>Cost</i>				
At beginning of year	6,214,399	3,055,663	994,227	10,264,289
Disposals in the year	-	(343)	(102,970)	(103,313)
Additions	-	-	369,160	369,160
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,055,320	1,260,417	10,530,136
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	486,561	1,358,042	818,081	2,662,684
Depreciation on disposals	-	(343)	(85,295)	(85,638)
Charge for year	55,746	93,003	129,547	278,296
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	542,307	1,450,702	862,333	2,855,342
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2016	5,672,092	1,604,618	398,084	7,674,794
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	5,727,838	1,697,621	176,146	7,601,605
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 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	853,277	10,123,339
Disposals in the year	-	(343)	(59,605)	(59,948)
Additions	-	-	365,508	365,508
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6,214,399	3,055,320	1,159,180	10,428,899
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	486,561	1,358,042	723,671	2,568,274
Depreciation on disposals	-	(343)	(41,930)	(42,273)
Charge for year	55,746	93,003	111,533	260,282
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	542,307	1,450,702	793,274	2,786,283
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2016	5,672,092	1,604,618	365,906	7,642,616
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	5,727,838	1,697,621	129,606	7,555,065
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The head lease qualifies as a 'long leasehold' as it has over 50 years to run.

14 Fixed asset investments

Shares	Charity 2016 £	Charity 2015 £
At the beginning of the year	50,101	50,101
	<hr/>	<hr/>
At the end of the year	50,101	50,101
	<hr/> <hr/>	<hr/> <hr/>

The above shares represent equity investments in group undertakings.

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

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

15 Stocks

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Finished goods and goods for resale	19,754	24,023	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

16 Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	187,257	258,141	116,846	105,985
Prepayments and accrued income	206,362	139,641	196,143	126,624
Other debtors	11,309	1,377	10,034	1,091
Amounts owed by group undertakings	-	-	149,364	124,631
	<hr/>	<hr/>	<hr/>	<hr/>
	404,928	399,159	472,387	358,331
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All debtors are recoverable within one year.

17 Creditors: amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	380,990	306,853	330,021	256,090
Other creditors including taxation and social security	149,911	215,586	54,287	93,969
Accruals and deferred income	341,619	598,002	277,953	434,132
Amounts owed to group undertakings	-	-	-	3,983
	<hr/>	<hr/>	<hr/>	<hr/>
	872,520	1,120,441	662,261	788,174
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other creditors includes £126,499 (2015: £170,857) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £118,974 and deferred income comprising £3,383 of advance cinema sales, £33,573 of conference deposits, £63,912 of rental income received in advance, £28,400 of income invoiced in advance for marketing services and £93,377 of grant and project income (note 4).

Deferred income comprises advance cinema sales, conference deposits, rental income received in advance. Grant and project income received in advance is detailed separately in note 4.

	Group	Charity
	£	£
Balance as at 1 April 2015	177,886	116,596
Amount released to income earned from charitable activities	(534,528)	(473,238)
Amount deferred in the year	485,910	452,337
	<hr/>	<hr/>
Balance as at 31 March 2016	129,268	95,695
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

18 Creditors: amounts falling due after more than one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Other loans	(89,690)	(109,690)	(89,690)	(109,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Analysis of loans				
Wholly repayable within 5 years	(89,690)	(109,690)	(89,690)	(109,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The creditor relates to the balance due (£60,000) of an interest free loan of £80,000 from Bristol City Council which was provided 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. In 2015/16 Watershed received confirmation from the City Council that £20,000 of the loan had been written-off and Watershed will not be required to pay this amount.

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

19 Provisions and liabilities

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

The elements of deferred taxation are as follows:

	2016	2015
	£	£
Difference between accumulated depreciation and capital allowances	-	8,022
Other short term timing differences	-	(37)
	<u> </u>	<u> </u>
	-	7,985
	<u> </u>	<u> </u>

The charity has no deferred taxation liabilities.

Notes *(continued)*

20 Unrestricted income funds

	Group £	Charity £
At beginning of year	6,153,655	6,085,627
Movement in year before transfers	42,102	37,683
Transfer from restricted funds (note 21)	115,922	115,922
	-----	-----
At end of year	6,311,679	6,239,232
	-----	-----

	At beginning of year	Incoming resources	Expenditure	Transfers	Re- classification from restricted funds	Balance at 31 March 2016
	£	£	£	£	£	£
Unrestricted income funds						
General fund	314,173	3,880,114	(3,838,012)	(12,452)	-	343,823
<i>Designated Funds</i>						
Bristol+ contingency fund	111,644	-	-	184,120	-	295,764
Capital grants fund	5,727,838	-	-	(55,746)	-	5,672,092
	-----	-----	-----	-----	-----	-----
	6,153,655	3,880,114	(3,838,012)	115,922	-	6,311,679
	-----	-----	-----	-----	-----	-----

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

The Bristol + contingency fund is a designated development fund specifically to ring fence surpluses associated with the rental income from E & W sheds. Other surpluses may also be transferred to this fund at the discretion of the Board. This designated fund is for the purpose of:

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

In 2015/16 the sum of £184,120 was transferred from the general fund to the Bristol + contingency fund.

In 2011/12 the sum of £5,925,688 was reclassified as unrestricted funds. This represents the head lease purchased via a capital grant of £6,400,000 provided to Watershed by South West Regional Development Agency (SWRDA) in March 2007. At the time, a legal charge was placed on the property as a condition of acceptance of the grant funding. In the year 2011/12 SWRDA closed due to government cuts and the Trust and SWRDA mutually agreed to terminate the agreement entered into relating to the legal charge on the property. As a result, the head lease is now deemed to be unrestricted and a designated fund has been established to ring fence the balance of the grant as the intention is to hold the asset for the long-term benefit of the Trust. Therefore, it does not form part of the freely available reserves of the Trust. In 2015/16 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.

Notes (continued)

21 Restricted funds: Group and Charity

	At beginning of year	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of year
	£	£	£	£	£	£
Capital grants						
Deferred capital grant	29,779	-	(1,600)	-	-	28,179
Deferred capital refurbishment grants	909,147	-	(67,433)	-	-	841,714
Lottery lease purchase grant	574,991	-	(8,712)	-	-	566,279
ACE GforA capital grant	50,088	-	(2,800)	-	-	47,288
BFI equipment grant	13,333	-	(6,667)	-	-	6,666
ACE small capital grant	-	287,100	(28,710)	-	-	258,390
	1,577,338	287,100	(115,922)	-	-	1,748,516
Voluntary income						
Grants and Sponsorship	-	-	-	-	-	-
Incoming resources from charitable activities						
Project funding – grants	-	1,086,428	-	-	(1,086,428)	-
Project funding – other	-	998,947	-	-	(998,947)	-
Regular Grant funding	-	926,649	-	-	(926,649)	-
	-	3,012,024	-	-	(3,012,024)	-
	1,577,338	3,299,124	(115,922)	-	(3,012,024)	1,748,516

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

Deferred capital grant

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

Deferred capital refurbishment grants

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

Lottery lease purchase grant

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

Other capital grants

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

Voluntary income and project funding from charitable activities

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

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

Notes *(continued)*

22 Analysis of fund balances - group

	Unrestricted funds £	Restricted funds £	2016 Total £	2015 Total £
Fixed assets	5,926,278	1,748,516	7,674,794	7,601,605
Net current assets	483,113	-	483,113	247,100
Long term liabilities	(89,690)	-	(89,690)	(109,690)
Provisions for liabilities and charges	(8,022)	-	(8,022)	(8,022)
	<hr/>	<hr/>	<hr/>	<hr/>
	6,311,679	1,748,516	8,060,195	7,730,993
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23 Operating leases as a lessee

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

	2016 Group and Charity plant and equipment £	2015 Group and Charity plant and equipment £
Within one year	10,515	5,165
Between one and five years	36,730	6,350
After five years	-	-
	<hr/>	<hr/>
	47,245	11,515
	<hr/> <hr/>	<hr/> <hr/>

24 Operating leases as a lessor

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

	2016 Group and Charity leasehold property £	2015 Group and Charity leasehold property £
Within one year	230,690	255,856
Between one and five years	797,188	850,822
After five years	1,222,011	1,399,067
	<hr/>	<hr/>
	2,249,889	2,505,745
	<hr/> <hr/>	<hr/> <hr/>

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

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

Notes *(continued)*

25 Related party transactions

During the year legal fees of £7,997 (2015: £5,672) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £11,712 (2015: £14,965) were provided to the Watershed Group). James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

Watershed has a non-exclusive arrangement with TLT LLP for the provision of legal services. This arrangement has previously been approved by the Board and was reconfirmed in 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 the sum of £2,160 was paid to Shamil Ahmed for the provision of services in respect of individual one-off creative projects. Shamil Ahmed is an independent artist and a trustee of Watershed Arts Trust Ltd.

26 Classification changes under FRS102

Regular grant funding is now included within voluntary income rather than in income from charitable activities. Governance costs are now included within charitable expenditure and are not shown separately on the Statement of Financial Activities.

Notes *(continued)*

27 Comparative statement of financial activities

	Unrestricted Funds £	Restricted Funds £	Total Funds 2015 £
Income			
<i>Voluntary income</i>			
<i>Donations and legacies</i>			
Individual giving	14,147	-	14,147
Donated services	-	14,965	14,965
Regular grant funding	935,250	-	935,250
<i>Other trading activities</i>			
Commercial trading operations	1,575,075	-	1,575,075
<i>Investment income</i>			
Interest receivable	555	-	555
	2,525,027	14,965	2,539,992
<i>Income from charitable activities</i>			
Earned income from cinema activities	758,084	-	758,084
Rental income	193,557	-	193,557
Service charges	96,172	-	96,172
Other earned income	134,626	-	134,626
Project funds	12,871	1,216,448	1,229,319
	1,195,310	1,216,448	2,411,758
<i>Other income</i>			
Capital grants	-	20,000	20,000
Total income	3,720,337	1,251,413	4,971,750
Expenditure			
<i>Costs of raising funds</i>			
Fundraising costs	(65,539)	-	(65,539)
Commercial trading operations	(1,262,117)	-	(1,262,117)
	(1,327,656)	-	(1,327,656)
<i>Charitable activities</i>			
Operation of cinema, engagement and creative media projects	(2,184,805)	(946,192)	(3,130,997)
Donated services	-	(14,965)	(14,965)
CIC operation	(78,220)	(270,256)	(348,476)
Property management costs	(103,807)	-	(103,807)
	(3,694,488)	(1,231,413)	(4,925,901)
Net income/(expenditure) before transfers and Net income/(expenditure) for the year	25,849	20,000	45,849
Transfers between funds	109,868	(109,868)	-
Net movement in funds	135,717	(89,868)	45,849