

**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 2021

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## Strategic report

The Board of Trustees presents its annual report and audited consolidated financial statements for the year ended 31 March 2021. This report consolidates the results of Watershed Arts Trust Limited and its subsidiaries, Watershed Trading Limited and Watershed Ventures CIC, collectively referred to here as Watershed. The financial statements comply with current statutory requirements, the memorandum and articles of association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

## Introduction

### **Watershed produces accessible and inclusive cultural experiences that fire up the imagination and bring people together.**

For most of April 2020 to March 2021, the Watershed building was closed due to covid restrictions, causing business uncertainty and hardship for our staff, audiences, residents and partners. But Watershed itself was far from mothballed, and through the dedication of our staff and the support of our funders, we were able to continue to bring people together in Bristol, across the UK and across the world.

Watershed is one of few truly cross-art form organisations in the UK, demonstrating a track record of innovation and risk taking over 39 years. We are recognised internationally as a leading centre for film culture, art and technology practice, and talent development programmes. Using methods built up from years of online collaboration and creative technologies– during lockdown our programme was able to migrate to the internet, and our support for artists, film makers and young people continued and grew.

So, though the year was marked by much sadness – especially around the redundancies we had to make - there were also highlights and things to celebrate. We used the time to deepen our commitment to inclusion – through programmes like Beyond Boundaries - a free skills development opportunity aimed at individuals under-represented in the cinema sector, and Creative Workforce for the Future which explored how we make the creative industries as representative as the society in which we live.

The Towards Equitable Futures programme sought to work with our communities in new ways, inverting the power dynamics of traditional futuring processes to ensure a fairer, more equitable future. And we began to transform ourselves with the development of an inclusive recruitment process, reimagining each step to create a more accessible and human experience of applying for a job with us.

We continued to develop and deepen our relationships outside of Bristol – from Film Hub’s support for regional cinema to South West Creative Technology Network’s work in Bristol, Bath, Plymouth and Falmouth. And further afield, we deepened our long-standing collaborations in Lagos, Nigeria with a five day online lab for Creative producers, run in partnership with Made Culture.

But however far we travel, we always come back to the ‘shed – whether that’s in MMO form like the incredible Pixelshed made for our spring residencies showcase, or in real life – whenever it was possible to open.

And the consistently positive, engaged and thankful support of our audiences has played a huge part in ensuring that despite a year of lockdowns, togetherness remained a core part of the Watershed offer.

## Strategic report *(continued)*

### Objectives and Activities

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

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

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

### Achievements and performance

- 0.83 million people visited us on the web
- 23,943 people visited our building
- 5,950 people bought tickets for our venue screenings and events
- We screened 47 film titles, over 270 screenings
- 18,581 people engaged with our online programme
- 2,135 young people engaged with our programme
- 3,597 people engaged with projects beyond the venue
- 160 artists and creatives are resident in the Pervasive Media Studio
- 66 full time equivalent jobs at Watershed
- Watershed Group turnover in 2020/21 is £4,486,707
- Pervasive Media Studio residents reported turnover in excess of £10.8 million
- Pervasive Media Studio residents reported secured research funding in excess of £1.79 million

### Programme Highlights and Report on 2020/21 Priorities –

#### Talent and Networks

##### Young People

Supporting young people at the start of their creative career – especially those currently underrepresented in the sector – feels more important than ever. Despite the huge complications of lock down, for our team and our community, we kept all of our programmes running and took them online.

Creative Workforce for the Future (a partnership between UWE Bristol, Watershed and KWMC, Creative Youth Network, Spike Island and Bristol City Council, funded by the West of England Combined Authority) was a pilot programme to explore how we make the creative industries as representative as the society in which we live. We aimed to do this by creating and fostering inclusive work environments to support our brightest and best young creative talent in the cultural and creative industries through a programme of professional development for companies and paid placements for young people.

Our cohort attended over 25 workshops in labs with professionals, had intensive mentoring and co-designed a support network. They won awards, were published, built a solid peer network and portfolios and made meaningful industry connections. 10 out of 13 have been offered jobs or freelance opportunities through their placements or through other network links with the programme. 57 creative businesses actively engaged with the professional development sessions which included recruitment & culture, connections and networks and difficult conversations about racism. Many of them are now investing time and money in changing some of their processes, addressing inclusion and working out ways to be more representative. We are working on our final report and exploring ways to continue the work.

Rife ran a series of focused commissions, including one for black photographers and poets, offering a platform, financial support and mentoring to young artists. Our annual list '30 under 30' showcased an amazing array of brilliant talent in the city. We also launched Meshworks Newsletter to connect young creatives to relevant professional opportunities across the city.

## Strategic report *(continued)*

### Art and Technology

“Whilst my experience of the studio has so far been 99% online, I’ve been blown away by all of the staff’s commitment and efforts during the past months. I know it’s not been easy at all so it’s really commendable that you can still support the residents in such a comprehensive and compassionate way.” Joe Hill – Pervasive Media Studio resident

The Pervasive Media Studio building has been closed for the majority of the year. We have pivoted our offer into a hybrid model of both online activity and, when government regulations have allowed, access to much needed physical desk space within Studio 5. We have boosted content creation, maintaining our profile as a space that facilitates and encourages conversation on the cutting edges of technology, creativity and all their intersections. Simultaneously, we have supported our residents in pivoting, re-evaluating and sustaining their practices and creative businesses during this unprecedented time with increased business resilience and wellbeing support. As well as responding to urgent need, our Future Themes projects (designed for lockdown) supported seven teams of residents to spend time exploring new ideas at the intersection of technology and culture which we believe will have much wider resonance beyond our current crisis.

We moved Friday Lunchtime Talks online, broadcasting live via Zoom, as well as offering subtitled recordings of the talks available through Watershed’s YouTube Channel. These continue to reach audiences around the world, with total views since March 2020 just shy of 18,000, and 600 new subscribers. Last year’s programme took us on a journey through Social VR, cultured meat, the future of play, Afrofuturism, the 100-year history of the video call and a whole lot more. We now have a growing global community of viewers in 26 different countries, with our most significant audiences existing in the UK, India, France, Japan, and the United States. We have also supported the launch of The Residents - a podcast series exploring tech, arts, economy and health through the lens of community and creativity, produced by Studio residents Will Taylor and Jo Kimber.

While we continued to support our existing community, this period also felt like an opportunity to ask deep and difficult questions about the future. We were successful in a bid to National Lottery’s Community Fund to support *Towards Equitable Futures*, a six month collective imagining project that began in December 2020. Working with Zahra Ash-Harper, Bill Sharpe, Grace Quantock, Rife and the Pervasive Media Studio community we convened a Visioning Group to imagine new ways of doing things and ask; What does progress look like when we challenge the notion of (exploitative) growth and value the creation of (regenerative) depth? What are the community behaviours that welcome difference while bonding us together? How can we act as stewards of our assets (economic, social and cultural capital) while we repurpose them in service to community?

### Film Hub

In its role as Film Hub Lead organisation for the South West as part of the BFI Film Audience Network, Watershed saw a 19% growth in membership in 2020/21 with 211 organisations and admissions of 10,274 for audience facing activity. We pivoted activity online addressing topics such as Hybrid events, Mental Health and Wellbeing sessions and Inclusivity (a total of 444 participants) and launched the [BFI FAN Covid-19 Resilience Fund](#) which proved a lifeline to exhibitors of all sizes.

*“The BFI Resilience Fund is a game changer for The Roses at an incredibly difficult time. As well as ensuring our survival through the next few months, it gives us the staff capacity to innovate our film programme to better serve our communities while the doors are closed, allowing us to reach new audiences and start new conversations around independent film.”* **The Roses Theatre**

We supported Cheltenham International Film Festival [to pivot to an online festival](#), and create [YourScreen](#) (6,314 online admissions).

The Film Hub team also supported a number of organisations in accessing the BFI Culture Recovery Fund.

19 FAN Film Exhibition Fund awards were made supporting a range of audience facing activity in the brief periods of reopening such as Film Bath and online (Slapstick, Stroud Film Festival, and Queer Vision).

## Strategic report *(continued)*

*“The hub has been extremely supportive, in a whole range of ways. Information about government regulation and cinema audiences; distribution and online platforms; changes to the wider industry; offering examples of good practice; as a forum for sharing experience.” Andy Freedman, Stroud Film Festival*

As part of our commitment to inclusion, Beyond Boundaries 360 supported organisations and individuals from backgrounds underrepresented in the industry to further develop their skills and network leading up to activity including [Films in Your Front Room](#), Sheba Soul’s [FLY! Festival](#) and Lorena Pino’s [programming of Trowbridge Townhall Cinema](#).

*“We are dizzy with delight at being able to promote a host of amazing films by BLACK\* women directors - and not the usual suspects. Thank you FAN for allowing us to FLY! a little Higher with the profiles of brilliant BLACK\* women directors.” Akulah Agbami, Sheba Soul Ensemble*

As lead for BFI FAN Comms, Marketing and Audiences, the New Film Releases support was put on hold with the closure of cinemas and developed [The Bigger Picture](#) into a central resource for BFI FAN members with 96 articles published and 27 case studies as well as research findings. We also supported a number of national campaigns such as BIFA’s #ThisIsOurCinema campaign and the digital version of [This Way Up Conference](#) in December 2020.

### **BFI NETWORK South West**

In April 2020 all our audience facing sector development activity was successfully pivoted online and delivered online via Zoom, Deal Room and other platforms.

In 2020/21:

- 629 individuals engaged in BFI NETWORK South West interactive group based activity that would have been in-person such as our labs, workshops, networking events, 1:1 meetings and filmmaker roundtables.
- 2,006 individuals engaged with BFI NETWORK through online talent development activity such as webinars.
- 17,863 individuals engaged by other activity.

We have had continued festival success with past BFI NETWORK backed shorts with 54 festival invitations and two festival Awards. A particular highlight was *The Thing That Ate The Birds* by Sophie Mair & Dan Gitsham which had its North American premiere at SXSW.

BFI NETWORK, Encounters Film Festival & Watershed (including the Depict short film competition) all teamed up in response to the COVID-19 lockdown to deliver [#shortitout](#), inviting filmmakers of every age and experience level to get involved in filmmaking whilst in lockdown including a series of Filmmaker Front Room Q&A with event partners BAFTA, Channel 4 & Aardman Animations, and guests including writer/directors Ben Wheatley & Desiree Ahkavan with 1,290 tuning in live and 10,262 catching up afterwards.

Other highlights of activity included:

- A New Writers Lab for 8 new or emerging writers or writer/directors
- A New Producers Lab
- We partnered with South-West based production companies Blak Wave & Little by Little Films to design [New Voices](#); a new talent development opportunity providing [14 aspiring South West based filmmakers](#) looking to develop five-minute short film ideas that provide fresh and authentic perspectives with a focus on those that are underrepresented in the screen industries.
- We collaborated with Untamed Stories on our Press Reset Inclusion Panel, which was in response to the Press Reset campaign from BFI involving D/deaf and Disabled filmmakers, Stephanie Castelete-Tyrrell, David Ellington and Zosia Feher to speak about the impact COVID-19 has had on the community and their vision for the future.
- A new partnership with Bristol Pride’s film programme Queer Vision and Iris Prize to host an online networking event at Encounters Film Festival for LGBTQIA+ filmmakers from across the UK.

In 2020/21 we commissioned 7 short film projects via our Short Film Funding. We also backed *Know the Grass* by Sophie Littman (writer/director) and Lorine Plagnol (producer) and *Rapture* by Lydia Rynne (writer), Laura Jackson

## Strategic report (*continued*)

(producer) and Emily Smith (director), which are not included in the list above as were commissioned outside that window.

We supported 6 feature film projects through our Early Development Funding from initial concept to treatment including *Hungry Joe* with writer/directors Paul Holbrook & Same Dawe (Paul Holbrook was previously commissioned for BFI NETWORK for his short film *Shiney*).

### **Cinema**

The cinema programme has, like all of society, been shaped by the impacts of Covid19. This has involved many frustrations but also learnings and new possibilities of engaging the audience. Immediately following lockdown in April we were approached by online platforms who we have existing relationship with to partner in programming. These are MUBI, Curzon on Demand and BFI Player. MUBI offered our newsletter subscribers 90 days free; Curzon on Demand and BFI Player gave a % discount. With BFI Player we curated a Watershed page with a range of films which have a connection with our programme or with the city.

We worked with distributors to connect our audience with new releases online and offering % off to Watershed audiences. Increasingly distributors are evolving a model of a split % with Watershed for audiences that we drive to new releases. We will get a % of all sales coming from Watershed newsletter subscribers. We continued to promote films through our BFI Player partnership which have a connection with our cultural programme or Bristol.

The focus in the initial reopening was to put together a cinema programme which would speak to our core cultural values whilst achieving revised financial targets. In the selection of opening films, "Films that Love the Cinema (and love to be seen in the cinema)", we wanted to celebrate the essential cinematic nature and experience of some of the films we had or were due to screen before the pandemic. These films also reflected partnerships that are core to Watershed's cultural programme eg Barry Jenkins' *MOONLIGHT: Pride LGBTQ+ & Come the Revolution*; Billy Wilder's *SUNSET BOULEVARD: South West Silents & Cinema Rediscovered*; whilst also opening new films in Bristol like *LES MISERABLES*. Distributors in this reopening period were supportive of Watershed (and the wider sector in general) and have given us some of these films on very generous financial terms.

The independent sector broadly shared the same approach of opening later in the summer or September to give more time to prepare for re-opening compared with the commercial mainstream. Discussions with independent/smaller distributors reassured that there would be good quality films to open with.

The relationship between in-venue and virtual cinema was explored more through the release of Aki Omoshaybi's debut feature film *Real*. We hosted a virtual preview followed by online Q&A then opened the film at Watershed before moving it to virtual post theatrical run. We collaborated with BFI NETWORK South West to invite filmmakers/creatives through organisations like Cables & Cameras, Blak Wave to the preview/Q&A.

Conversations About Cinema: Thought in Action, our partnership with UWE Philosophy Dept and MUBI delivered 5 events exploring post-colonialism through film. This has been an innovative new partnership taking online that deeper engagement with film through discussion. Watershed Cinema Curator and UWE staff and students curated the season, UWE provide the speakers, MUBI allowed access to their online archive. We have had speakers from Berlin, Portugal and Italy, and audiences have attended from Mexico City, Buenos Aries, Martinique, Paris and Burnley.

### **Innovation**

Watershed are a producing partner on Bristol+Bath Creative R+D and the South West Creative Technology Network (SWCTN, recently completed). As the Covid-19 pandemic has had a devastating effect on small creative businesses, the new challenge of delivering our research and development programmes online accelerated our team learning around hybrid working, accessibility and what was needed in terms of support now as well as for a regenerative future.

## Strategic report *(continued)*

Both programmes have produced ground breaking work during this period; exploring questions of data bias, hope and power in public spaces, expanding our understanding of the role of culture in the new digital infrastructure and working with the theatre and music sectors to interrogate concepts of liveness and togetherness.

SWCTN was a £6.6 million research and development (R&D) project funded by Research England to increase collaborative innovations between universities and industry in the use of creative technologies. It was a regional partnership between four universities (UWE Bristol, Bath Spa University, Falmouth University, University of Plymouth) ourselves and Kaleider Studios. We produced three creative technology R&D themes through funded cohorts over three years: IMMERSION, AUTOMATION and DATA. Our network was made up of 630 members: a rich mix of researchers, artists, technologists, businesses and practitioners from across the region, representing varied disciplines and industries. We cultivated a diverse network, prototyped ideas and supported new businesses committed to quadruple bottom line impacts - social, cultural, environmental and economic. Our work strengthened regional productivity – generating over £7.5 million of additional income for the region through innovation and creating 22 new businesses. We have built knowledge of environmentally sustainable and inclusive practices to increase business resilience and ethical creative technology development.

Container is a new online magazine that puts the spotlight on the people and processes behind creative technology and provides a platform for voices outside the mainstream. For years, technology in the media has tended to be approached through techno-heroic stories of the successful individual, big technology and corporate gain. Container seeks to redress the balance and raise up a multiplicity of voices - ones that question, dissent and explore. Container is a project of Bristol + Bath Creative R+D and SWCTN, building on the long-term collaboration between Watershed's Pervasive Media Studio and UWE Bristol's Creative Economies Lab.

### **Environment**

In October 2020, Watershed created a new post of Environmental Emergencies Action Researcher. Funded by Bristol and Bath Creative R+D, the role was designed to work with Watershed's own environmental sustainability group and with creative institutions, SMEs, businesses and freelancers to explore and co-develop a framework for climate action. They began their work with a period of desk-based research and interviews into sector best practice, alongside networking across the city (and wider) to build a shared approach.

In February 2021, we announced the recipients of our Spring Residencies programme, which were designed to support ideas exploring environmental emergencies, technology and possible futures. Lukus Robbins will create artistic interventions exploring the symbiotic ecosystems within soil and Katy Connor will create a speculative arts project exploring the practice of hydroponics: the art of growing plants in a chemical solution, without the use of soil.

### **Audiences**

*"Always leading the way with inclusive and heart bursting comms... you are one of those venues where you see seemingly simple things and end up coming home with a bigger to do list because of it."*

As outlined above in the earlier sections it's important to acknowledge that we have found ourselves in a very different and uncertain operating environment throughout this entire year which has of course had a huge impact on how we have approached our marketing and communications to engage our audiences.

Our external communications objectives over this past year can be summed up as follows:

- To keep our audiences engaged and feel part of Watershed
- To be available for our audiences
- To demonstrate that we are people behind the brand and that we care about our audiences
- To be there for our stakeholders and audiences especially when the building has been shut
- To be consistent, regular, present and relevant
- To be fun
- To bring our audiences with us for the times when we can re-open
- To raise funding support



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

With care and consideration we have kept in constant and regular touch with all our audiences. Talking to them, listening to them, asking them for their help (research, surveys), asking them for support and for their opinions and putting their safety and comfort at the forefront of every decision. Because of this approach and the understanding and intelligence we have garnered we have confidence that audiences have an appetite and desire to return and engage with our programme and offer, which has been validated during the periods we have been open.

Most of our focus over the period up to our re-opening in September 2020 was the planning, design, creative production, and execution of all of our reopening communications.

### **Audience Demand**

Audiences responded positively when we reopened in September 2020, with 30% of screenings on average selling out.

The make-up of our audience was noticeably affected by the pandemic – monitoring audience trends weekly box office analysis showed us a decline in the % of our Over 60s audiences, and an increase in the % of our 16 – 30 year old audiences, which reflected the social trends at the time.

October 2020 saw us host our first external season (London Film Festival on tour) since re-opening which acted as a catalyst for many audiences to return – seeing 80% of its audience coming to Watershed for the first time since the March lockdown, or returning to Watershed after at least a year of not attending.

*"I was so impressed by how Watershed have managed the reopening and I'm so glad I can incorporate visits to the Watershed into my weekly routine again!"*

Building on the clear demand for cinemas during our opening weeks in September and to help build business and momentum in the Café/Bar we re-introduced cinema screenings on Wednesdays from early October and Ciné bites (our food and film offer) from Wed 14 Oct. There was a steady increase building every week – but sadly lockdown in early November stopped us in our tracks.

When Bristol was moved from Tier 3 to Tier 2 after some consideration and in response to audience demand we made the decision to open for five days before Christmas.

We screened three titles for the five days we were open, admissions were 713 at 75% occupancy.

*"This gem of a building and all who work in it is the Christmas treat you need. Their Covid regulations are spot on. Their staff are brilliant and their cinema programming is bang on the money. Cinema at its best. Bravo @wshed"*

This data and feedback gives us confidence going forward.

### **International**

September 2020 saw the launch of the final report for Creative Producers International - a Watershed project which gathered together a dynamic network of creative producers from across the world with the aim to enhance individual practices, raise ambitions and make real change across the world on a city scale. It was a fascinating set of conversations that brought together producers and researchers from Bristol and Liverpool, Mexico City and even the back of a cab stuck in Lagos traffic. Produced in partnership with the Creative Economies Research Lab at UWE Bristol, the report codifies the work of the three-year programme, offers critical reflection on the role of the Creative Producer in cities across the world, and shares tools and case studies that we hope others will use and learn from. The report is available as a microsite, where you can also download all the content as a PDF. <https://www.watershed.co.uk/cpi/>

## Strategic report (*continued*)

In March 2021 we invited 12 Lagos-based Creative Producers to participate in a 5-day online lab run in partnership between Watershed and Made Culture, a company founded by Malaika Toyo, one of our Creative Producers International cohort. The Lab was funded by British Council and seeded a network of Lagos-based producers working across theatre, film, festivals, visual art, radio, design and fashion. Through the lab we delivered a series of workshops exploring creative producing skills which offers a replicable model for international work that we hope to take forward.

### People

Our priorities last year set out a renewed focus on Watershed's people, which remained true for the year, with an additional focus on wellbeing and capacity resulting from the pandemic.

In addition we increased our commitment to organisational inclusion, understanding that for it to become truly embedded, it needed to move from strategy to practice. In June 2020 we produced a set of commitments that all staff signed up to and in March 2021 we appointed Aisha Thomas and Katie Donovan-Adekanmbi as Inclusion Associates to work with us on training staff and developing departmental inclusion plans and targets. These are due to be completed in December 2021.

The HR needs of the pandemic means we are behind on our priority to deliver a new people strategy, but have developed significant building blocks, including new inclusive recruitment processes.

During this period, we were unable to agree a financial plan to meet Living Wage, as the uncertainty of the pandemic made any planning difficult, however we subsequently implemented Real Living Wage in Watershed in May 2021.

### Capital development

Whilst securing funding and permissions for phase 1 of Watershed's capital development was a priority for the year, this was put on hold due to the uncertainty of the pandemic and the lack of staff capacity. During the year we had hoped to complete fundraising and tender a fourth cinema screen, a ground floor servery and gender-neutral top foyer toilets. These plans will be re-visited in 2021/22.

### Monitoring and Evaluation

A thorough organisational approach to evaluation, data collection and analysis gives us in-depth knowledge of our audiences, and was key to our data-driven response to the evolving business context throughout 2020/2021.

We utilised surveys and engagement through social media to gauge audience feeling about returning to Watershed after lockdown – with response rates exceeding our expectations (1500 responses to our May 2020 survey, and 700 to our March 2021 survey).

We also continued to monitor audience demographics through box office analysis and audience surveys – both demonstrating how the pandemic had affected the demographic of our audiences.

In Autumn 2020 we set up an inclusive data working group to specifically work on the area of how we collect and use inclusion data within the organisation. The group comprised staff from across the organisation dedicating time to thoughtful work focusing on;

- **how we ask questions;** including researching best practice from across the arts, culture, academic and government sectors.
- **what language we use;** acknowledging the impact that language can have in promoting an inclusive workplace and culture, again by researching and referencing best practice and with the aim to make the language we use as accessible as possible
- **how we analyse and present the data;** acknowledging the potential for bias in the presentation and interpretation of data, with an aim to make the data as transparent and equitable as possible.

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

The outcome of this work has resulted in:

- The review and development of a template for more inclusive language for our surveys for audiences, staff and participants
- Developing a framework that saw us move away from measuring ourselves against demographic benchmarks to understanding the intersectional Balance (representation) of staff within our organisation and how people's identities affect their experience of working with us (Belonging).

### **Finance**

The objective for the 2020/21 financial year was to review the Watershed finance provision, including the workflow and structure of the team. Due to the substantial requirements for financial modelling and control during the pandemic, priorities shifted to maintaining financial viability in the short term. This will be an ongoing priority carried over into the 2021/22 financial year, under a new Head of Finance.

### **Business Development**

Whilst the pandemic has been tough on our people and resources, we have sought to embrace change and have used the time wisely, to reflect on where we have been and dream beyond recovery. Business development has focussed on remodelling to respond to changing covid contexts, creating online projects and programmes, and establishing new ventures like Undershed – our new outside bar.

We have developed our resilience with an approach that turns up and turns down the different elements of our business, refocusing resources and attention as the pandemic ebbs and flows. Our new Business Plan - An Operating Manual for Uncertainty was delivered in March 2021, and we advertised for a new permanent Development Manager to lead on fundraising strategy on Feb 2021.

Our work on Watershed's brand remains on pause as we reconfigure our model and capacity and prepare for Watershed 40 – and a deeper explanation of what we are for.

## **2021 - 2022 Organisational Priorities**

Covid has shaken our model, our staff and our community and we need time to recover, reflect and rebuild. The focus for this year is getting our building-based activity back on track, so we have sought to create a list of achievable and meaningful priorities:

**People Strategy:** ongoing 2021/2022. To reflect our values and build an inclusive working culture. It will cover recruitment, training, inductions and performance management.

**Departmental Inclusion Plans and training:** initial training and work by our Associates with each department to deliver clear plan and targets.

**Watershed Forty:** a year long programme started in June 21. Building in the methodology and learnings of Equitable Futures, Watershed 40 is a cross-departmental exploration of our relevance, vision and values leading up to our birthday on June 2022, when we would like to re-launch Watershed for the next 40 years. Programme strands will be designed with board and staff to inform learning and possibility.

**Membership scheme:** benchmark and design a paid-for scheme for Watershed audiences to bring in new revenue, without compromising inclusion.

**Climate Justice:** Re-start Watershed's Environmental Sustainability Group centred around the Climate Justice action research we are undertaking through Bristol and Bath Creative R&D. Deliver a measurable and ambitious plan for Watershed's response to climate change. Identify an executive team and Board lead for our work on Climate justice and environmental sustainability.

## Strategic report *(continued)*

Fundraising strategy: work with a new Development manager to create a fundraising strategy for Watershed that is centred on increasing unrestricted funding.

Systems review: identification of the funding to implement new software and systems to maintain efficiency and support workflow across finance, box office, events and in our application processes.

## Risk Management

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

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

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

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

Watershed's risk management strategy involves maintaining:

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

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

## Financial review

### Overview

The consolidated results set out on page 26 show a surplus of £354,456 for the year (2020: surplus of £2,069,470). The surplus on unrestricted funds for the year totalled £469,373 (2020: surplus of £2,133,979). The comparative result for the year ended 31 March 2020 is due to the gain on re-valuation of the head lease in July 2019 and a subsequent change in accounting treatment. Further details are provided in notes 1 and 20.

The surplus for the year ending 31 March 2021 is mostly attributable to the receipt of a grant totalling £731,993 from the Arts Council Recovery fund in the year, of which £33,333 has been deferred into 2021/22. The award was made to support the Watershed Group during the COVID pandemic and enable it to reflate reserves and undertake specific areas of programme activity and business development. The Award has been split between the Arts Trust (£631,993) and the Trading company (£100,000 less £33,333 deferred).

Some of the surplus is attributable to timing differences between the recognition of income and expenditure in respect of individual areas of activity supported by restricted programme funds, specifically Film Hub activity, the Clusters programme and activities supported by ACE Cultural Recovery funds.

Overall, designated funds which support the creative programme have decreased by £25,447.

### Subsidiary Company Results –

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

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

In a normal year, these activities provide a valuable income stream to support the charitable activities of the Arts Trust, and form a key part of the Watershed offer as a whole, providing a welcoming, open and inclusive meeting place for all to enjoy.

Because of the pandemic and the closure of our hospitality offer, Watershed Trading Limited generated losses before tax of £202,726 (2020: profit of £33,255). No donations were made through gift aid to the Charity, based upon the previous year's trading (2020: £166,609).

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

- Café/bar food and liquor sales generated £88,245 (2020: £1,236,936).
- Conference sales generated £10,394 (2020: £503,621).

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

In the year, Watershed Ventures CIC made no donations (2020: £nil) through gift aid to the Charity and generated a loss before tax of £1,165 (2020: loss of £1,571) and total revenue of £nil (2020: £3).

No activity was undertaken by Watershed Ventures CIC in 2020/21 and no activity is currently planned for the 2021/22 financial year.

### **Operating model**

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

### **Cost efficiency**

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

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

### **Financial monitoring and control**

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

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

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

Watershed's income portfolio includes:

### **Programme Funds**

Programme funds received through partnership agreements, restricted project grants and contracts for services account for the most significant percentage of Watershed's income (37% in 2020/21).

Building relationships with key funders and partners is vital to growth, allowing Watershed to increase activity and invest in developing new, exciting initiatives. In 2020/21 programme funds totalled £1.675 million.

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

### **Unrestricted Grants**

Watershed receives regular funding from Arts Council England (as a National Portfolio Organisation) and Bristol City Council (as a Key Arts Provider). Although these funds account for a relatively small portion of Group turnover (18%) they form a vital part of Watershed's income portfolio enabling the organisation to plan for the future and deliver an exceptional cultural offer. 2020/21 is the third year of renewed 4-year relationships with both funders with Bristol City Council already having confirmed that the funding will be extended to March 2023 and an application for a one year extension for Arts Council England was submitted in September 2021 for the 2022/23 financial year.

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

### **General Fundraising**

In the 2020/21 financial year Watershed secured £35,628 (2020: £92,383) from fundraising through individual giving and private sponsorship.

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

Sales generated by Watershed's trading subsidiary through its café/bar and conference operations account for 2% of Group turnover in 2020/21, compared to 30% in 2019/20, but was significantly affected by COVID-19 and the forced closure of the building for the majority of the financial year.

The café/bar forms the social heart of the organisation and would normally provide a financial contribution but due to the forced closure, has made a loss in 2020/21. The café/bar, when opened, provides a vital safe and inclusive meeting space for participants in Watershed's creative programme and members of the general public. The ambience in the café is carefully maintained to reflect the cultural programme and Watershed's core values.

Watershed's exceptional conference service provides clients with quality facilities supported by experts in hospitality and technical delivery to create bespoke events. Events hosted range from corporate conferences to weddings. Watershed intends to further develop their broadcasting package, originally unveiled in 2019/20, but was put on hold due to COVID-19, to provide clients with a professional, high spec on-line experience for conference delegates. This will be developed further in the coming year as the ability to meet and communicate virtually becomes increasingly important.

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

Watershed's conference facilities and expertise also contribute significantly to its cultural offer through the hosting of festivals and events programmed by the Arts Trust and its partners forming an important part of the creative programme. This has been curtailed in 2020/21 due to COVID-19. Watershed strives to maintain a fine balance between generating commercial profits and supporting the creative outputs of the Arts Trust.

### **Cinema sales**

Cinema ticket sales accounted for 1% of Group turnover in 2020/21, compared to 16% of Group turnover in 2019/20. Performance in the year was significantly affected by COVID-19, which continued into 2021/22 due to government restrictions. In a full normal year of operating, we forecast that this proportion will return to pre-COVID19 levels.

Watershed considers and balances the need to generate sales revenue from its cinema programme and its aim to provide a quality offer of cultural cinema which is accessible to all and affordable to those who are economically disadvantaged.

Although ticket prices were increased in February 2020, due to the enforced closure of the building throughout the majority on 2020/21, Watershed has not yet seen the effect of increased income or admissions. The increase was implemented to reflect trends across the cinema sector and increased delivery costs. In line with our pricing policy, concessionary tickets for the under 24s were excluded from the increase to encourage younger audience members and build audiences for the future.

### **Property Income**

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

In the year, Watershed negotiated temporary rent concessions due to financial pressures experienced by tenants and to enable them to manage their own cash flow and business survival.

Watershed's Studio 5 co-working space (established in 2018/19) usually houses several small companies and individuals, together with teams from Bristol+Bath Creative R&D, supported by UWE, providing the project teams with a home from which to operate. This was limited by the COVID-19 restrictions as Studio 5 remained closed for the majority of 2020/21.

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

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

### **COVID-19 impact**

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

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

When we shut the building to the public on 17 March 2020, 46% of our trading income was immediately curtailed through the loss of sales from the Café/bar, Conferencing and Cinema (including cinema advertising revenue). In 2019/20 these sales totalled approximately £2.7 million.

In the period 1 April 2020 to 31 March 2021 sales from these sources have decrease to approximately £140,000 as a result of enforced closures during the year. Watershed remained closed from April 2020 to the end of August 2020 and was again forced to close its doors from 5 November 2020, re-opening for a short period during December 2020. Watershed did not open again in the 2020/21 financial year and partially re-opened, subject to government restrictions, on 18 May 2021.

We also experienced a reduction in revenue from our head lease tenancies due to the inability of café/bars occupying these to fully meet their lease obligations. We have reached individual agreements with our tenants to grant temporary concessions over the amount and timing of rental payments due for the 2020/21 financial year. As a result, we experienced a 30% reduction in income associated with head lease tenancies.

## Strategic report *(continued)*

A further rent concession was provided to tenants in quarter 1 of 2021/22. We continue to monitor and engage with our tenants to gauge the likelihood of further requests for concessions or failure to meet agreed payment arrangements and the impact this may have on our budget and cash flow position going forward.

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

### COVID-19 risk mitigation

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

Measures taken to mitigate the immediate impact were:

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

As a contingency, Watershed's Trading Company successfully applied for a £200,000 CBILS loan. The loan is intended to support commercial activity only and is seen by the Board as a high risk short term survival strategy given current conditions. The Board has accepted the loan, which is not under guarantee by the Charity. The funds are held in a separate reserve account and is currently unused. Watershed has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

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

### Re-opening

Watershed initially re-opened its doors to the public on 1 September 2020. Our re-opening model was put together by a cross-departmental team informed by audience and staff surveys, government guidelines and industry best practice to create the most financially efficient and safe model.

New social distancing requirements have had a massive impact on Watershed's ability to generate earned income from cinema ticket sales, café/bar sales and conferencing. These sales accounted for 46% of our income in 2019/20 but has only accounted for 3% in 2020/21.

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

- **Building opening hours:** Access to the public has been reduced from 7 days a week to 6. Watershed's building is now closed on a Monday.
- **Cinema:** Social distancing measures introduced in September 2020 have reduced cinema capacity from 340 seats across the 3 screens to an average of 93 seats. To mitigate the risk of losing money on individual screenings, cinema opening hours are reduced from 7 days a week to 4 (open Thursday to Sunday). There was another enforced closure from 5 November 2020 to 17 May 2021. Income in 2020/21 represented 5% of our income from cinema ticket sales in 2019/20 (£41,389 compared to £894,810). Financial losses were mitigated by a staff restructuring which has resulted in a significant reduction in staff costs, and by utilising the government furlough scheme. On re-opening from 18 May 2021, the cinema was open 5 days a week, 6 screenings per day (Wednesday to Sunday) at 25% capacity. In July 2021, this increased to 50% capacity and in August 2021, an additional 3 screenings were added to Friday to Sunday.



## Strategic report (*continued*)

- **Creative Programme:** we continue to deliver our funded sector/talent development programmes – including the Pervasive Media Studio, Film Hub SW, Bristol and Bath Creative Clusters, South West Technology Network and Rife - ensuring that freelancers/creatives continue to receive support. We have secured new funding to explore environmental sustainability and to undertake an inclusive futuring programme. We are working with UWE to establish a research programme into accessible hybrid venues of the future.
- **Café/bar:** Social distancing measures introduced in September 2020 reduced café/bar capacity significantly. To make the café/bar a viable proposition we introduced an online ordering system, reduced menu options, restructured our staffing to reduce costs and utilised the government furlough scheme. Income in 2020/21 represented 7% of our income from café/bar in 2019/20 (£88,245 compared to £1,263,936). In addition we have taken the decision to close the building on a Monday, usually our quietest day of the week.
- **Conferencing and Events:** Income in 2020/21 represented 2% of our income from events and conferences in 2019/20 (£10,394 compared to £503,621). During this time, we continued to promote our “Live from Watershed” online events package to boost our capacity to generate sales virtually.
- **Fundraising:** We continue to seek additional funds through government and other grants, Trusts and Foundations and individual giving to secure our future. A Fundraising Manager was appointed in April 2021 to develop and implement a fundraising strategy. This represented £35,628 in 2020/21.

In October 2020, Watershed received confirmation of a £731,993 grant from the Arts Council’s Cultural Recovery Fund (of which £33,333 was deferred into 2021/22). A further £215,713 grant from the second tranche of the Arts Council Cultural Recovery Fund was awarded in 2021/22. These funds provide Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Social distancing restrictions were lifted in July 2021 and our cinema, café/bar and events business has returned at reduced capacity levels as our base assumption errs on the side of caution to the end of the 2021/22 financial year. Watershed Board and Executive continue to monitor alternative scenarios and financial modelling, to make changes where appropriate.

Budget and cashflow forecasts as at February 2021 and reforecasting at September 2021 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21, 2021/22 and 2022/23 financial years to continue operating without impediment. Reserves at the end of 2020/21 were £1,456,085, (£986,712 2019/20). This increase was mainly due to the Arts Council Cultural Recovery Fund.

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

## Future Resilience

Over the last 10 years, Watershed has grown considerably in terms of size, turn over and scale. In November 2019 we had completed a thorough review of Watershed’s systems, processes and workflows and identified the need to make considerable investment – as much of our systems were over a decade old, barely now fit for purpose and with little integration between systems. Covid has made things worse – whereas previously we were covering and patching the holes in our workflow with manual processes, we now have less staff to paper over the cracks, finances are stretched and we have a new hybrid operating environment.

We had begun a period of planning and fundraising to resource the necessary systems change, but that was stalled by the pandemic. We have now identified internal funding and over the next year we will urgently continue this development work and be implementing as much as funding and capacity will allow. This work will focus on our financial systems, processes and control to ensure make them work more efficiently, and workflows to improve efficiency and user experience across key business areas.

## Strategic report *(continued)*

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

## Reserves policy

Watershed's reserves policy was last reviewed in light of the Coronavirus pandemic at a meeting of the Trustees in June 2021.

### Overview

Watershed's reserves policy ensures that we remain sustainable, have the capacity to mitigate existing financial challenges and manage unforeseen financial challenges, with the ability to invest in its future.

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

- income and expenditure levels in the current and future years
- the obligations and operational requirements of the Charity and Group
- the future development needs of the organisation

### Our Reserves

Our reserves are split into the following funds:

#### General Fund

The General Fund is to ensure that Watershed has the funds to meet its obligations in the event of a loss of income.

Given the level of risk and uncertainty due to COVID-19 and its impact, especially on Watershed Trading Limited, the Trustees took the decision to review the reserves policy to allow more time to respond to any changes in operational and financial circumstances. In 2020/21, Watershed Trustees increased the general reserves target from 2 to 3 months of Group operating costs, which amounts to £850,000. On 31 March 2021, Watershed's General Fund was £1,058,008, which will reduce over the 2021/22 financial year as losses and deficits accumulate as a result of COVID-19.

The experience of lockdown suggests the General Fund target could be higher to support a longer period of trading should the effects of COVID-19 or other risks continue to be felt. However, Watershed does not currently have the ability to generate a higher reserve than has currently been set, and the ownership of the building provides Watershed with added security against significant losses. The General Fund target will be regularly reviewed by Trustees.

#### Bristol + (Building Fund)

The Bristol + (to be renamed Building Fund in 2021/22) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.

The level of reserves currently held in Bristol + at £244,717 is deemed appropriate. Pre-COVID-19, this fund was used to underwrite the costs of Watershed's planned capital development whilst fundraising for the project was/is ongoing. This development is on pause whilst the business is stabilised due to COVID-19 but the goal is to create a model which is more resilient and sustainable, both financially and environmentally, once the capital development is completed.

## Strategic report *(continued)*

### Designated Funds

Watershed also holds several designated funds which are established to ring-fence surpluses attributable to timing differences in areas of project activity supported by specific one-off programme funds. This policy is reviewed annually and was last reviewed by Trustees in May 2020 and will be looked at again in June 2022.

As at 31 March 2021, Watershed's reserves comprise\*:

General fund	£ 1,058,008
Designated fund – Bristol +	£ 244,717
Rife designated fund	£ 14,662
Film Hub designated fund	£ 68,849
Clusters designated fund	£ 35,539
<u>ACE CRF designate fund</u>	<u>£ 34,310</u>
<b>Total</b>	<b>£ 1,456,085</b>

*\*note – net current assets available at 31 March 2021 stand at £1,153,005*

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

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

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

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

## **Trustees' report**

### **Structure, governance and management**

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

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

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

Watershed's Executive group, comprising four senior managers, report to the Chief Executive Officer. The Executive Team meet weekly, joined by the Senior Management Team every fortnight. The Executive Team take responsibility for strategy and overall performance whilst senior managers take responsibility for the day-to-day operations.

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

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

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

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

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

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

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

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

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

### **Reference and administrative details**

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

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

#### **Trustees**

J. Touzel (Chair)

P. Appleby

D. Bunyan

S. Cooper

J. Durrant

S. Eugene-Hart

P. Gardener

L. Gardner

S. Gatfield

S. Lovegrove (resigned 15 June 2021)

S. Wilson (resigned 26 June 2021)

J. Roscoe

## Trustees' report *(continued)*

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

### Disclosure of information to auditors

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

### Auditors

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

Date:- 8<sup>th</sup> December 2021

By order of the Board



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

1 Canon's Road  
Bristol  
BS1 5TX

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

### **Opinion**

We have audited the financial statements of Watershed Arts Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2021 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 Companies Act 2006.

### **Basis for opinion**

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

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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

- adequate accounting records have not been kept by the parent charitable company, 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.

### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 20, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.



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

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sectors in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

**Use of our report**

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



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

Chartered Accountants	St Catherine's Court
Statutory Auditors	Berkeley Place
	Clifton, Bristol
Date: 21 December 2021	BS8 1BQ

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

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

for the year ended 31 March 2021

	<i>Note</i>	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total Funds 2021 £</b>	<b>Total Funds 2020 £</b>
<b>Income</b>					
<b>Voluntary income</b>					
<i>Donations and legacies</i>					
Individual giving		35,628	-	35,628	92,383
Donated services		6,141	-	6,141	28,003
Regular grant funding	4	812,384	-	812,384	812,289
Arts Council England Cultural Recovery Grant	4	587,977	110,683	698,660	-
<i>Other trading activities</i>					
Commercial trading operations	6/7	100,833	-	100,833	1,814,197
<i>Investment income</i>					
Interest receivable		75	-	75	187
		<u>1,543,038</u>	<u>110,683</u>	<u>1,653,721</u>	<u>2,747,059</u>
<b>Income from charitable activities</b>					
Earned income from cinema activities		56,588	-	56,588	942,754
Rental income		139,467	-	139,467	274,800
Service charges		80,210	-	80,210	191,442
Other earned income		95,628	-	95,628	110,881
Programme funds	4	3,557	1,672,351	1,675,908	1,701,367
		<u>375,450</u>	<u>1,672,351</u>	<u>2,047,801</u>	<u>3,221,244</u>
<b>Other income</b>					
Government grants (COVID support)	4	777,264	-	777,264	-
Capital grants		-	10,000	10,000	103,747
<b>Total income</b>		<u><b>2,695,752</b></u>	<u><b>1,793,034</b></u>	<u><b>4,488,786</b></u>	<u><b>6,072,050</b></u>
<b>Expenditure</b>					
<b>Costs of raising funds</b>					
Fundraising costs	8	(20,275)	-	(20,275)	(54,570)
Commercial trading operations	6	(683,035)	-	(683,035)	(1,412,532)
		<u>(703,310)</u>	<u>-</u>	<u>(703,310)</u>	<u>(1,467,102)</u>
<b>Charitable activities</b>					
Operation of cinema, engagement and creative media projects	9	(1,584,061)	(1,783,034)	(3,367,095)	(4,493,631)
Donated services		(6,141)	-	(6,141)	(28,003)
CIC operation	7	(1,198)	-	(1,198)	(1,692)
Property management costs		(56,586)	-	(56,586)	(157,296)
Reversal of depreciation (Head lease revaluation)		-	-	-	709,544
<b>Total expenditure</b>		<u><b>(2,351,296)</b></u>	<u><b>(1,783,034)</b></u>	<u><b>(4,134,330)</b></u>	<u><b>(5,438,180)</b></u>
Net income/(expenditure) before transfers and		344,456	10,000	354,456	633,870
Net income/(expenditure) for the year					
Transfers between funds	20	124,917	(124,917)	-	-
<i>Other recognised gains and losses</i>					
Gains on revaluation of head lease		-	-	-	1,435,600
Net movement in funds		<u>469,373</u>	<u>(114,917)</u>	<u>354,456</u>	<u>2,069,470</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		8,636,712	1,408,338	10,045,050	7,975,580
<b>Total funds carried forward</b>		<u><b>9,106,085</b></u>	<u><b>1,293,421</b></u>	<u><b>10,399,506</b></u>	<u><b>10,045,050</b></u>

Incoming resources and resulting net movement in funds in each year arise from continuing operations.

The group has no recognised gains or losses for the current or previous year other than those shown above.

## Consolidated cash flow statement

for the year ended 31 March 2021

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Net (outgoings)/income	352,377	633,870
Depreciation of tangible assets	208,887	275,322
Depreciation write-off (head lease)	-	(709,544)
Loss on disposal of fixed assets	-	75,172
Taxation	-	(2,498)
Change in trade and other debtors	(29,366)	297,328
Change in stocks	8,891	(827)
Change in trade and other creditors	(512,084)	255,524
	<hr/>	<hr/>
<b>Net cash flow generated from operating activities</b>	<b>28,705</b>	<b>824,347</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible assets	(27,123)	(270,596)
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>(27,123)</b>	<b>(270,596)</b>
<b>Cash flows from financing activities</b>		
Decrease in loan/long term creditors	-	-
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
Cash at bank and in hand at beginning of year	1,521,105	967,354
	<hr/>	<hr/>
Cash at bank and in hand at end of year	1,522,687	1,521,105
	<hr/> <hr/>	<hr/> <hr/>

### Analysis of changes in net debt

	At 1 April 2020 £	Cashflows £	At 31 March 2021 £
Cash	1,521,105	1,582	1,522,687
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>1,521,105</b>	<b>1,582</b>	<b>1,522,687</b>
	<hr/>	<hr/>	<hr/>

## Consolidated and company balance sheets

at 31 March 2021

	Note	Group		Charity	
		2021	2020	2021	2020
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13	9,279,676	9,461,440	9,253,623	9,427,241
Investments	14	-	-	50,101	50,101
		<u>9,279,676</u>	<u>9,461,440</u>	<u>9,303,724</u>	<u>9,477,342</u>
<b>Current assets</b>					
Stocks	15	6,051	14,942	-	-
Debtors	16	361,538	332,172	376,711	268,418
Cash at bank and in hand		1,722,687	1,521,105	1,225,894	1,112,693
		<u>2,090,276</u>	<u>1,868,219</u>	<u>1,602,605</u>	<u>1,381,111</u>
<b>Creditors: due within one year</b>	17	<b>(937,271)</b>	<b>(1,249,355)</b>	<b>(549,601)</b>	<b>(1,057,994)</b>
<b>Net current assets</b>		<b>1,153,005</b>	<b>618,864</b>	<b>1,053,004</b>	<b>323,117</b>
<b>Total assets less current liabilities</b>		<b>10,432,681</b>	<b>10,080,304</b>	<b>10,356,728</b>	<b>9,800,459</b>
<b>Creditors: due after more than one year</b>	18	<b>(29,690)</b>	<b>(29,690)</b>	<b>(29,690)</b>	<b>(29,690)</b>
<b>Provisions for liabilities and charges</b>	19	<b>(3,485)</b>	<b>(5,564)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>10,399,506</b>	<b>10,045,050</b>	<b>10,327,038</b>	<b>9,770,769</b>
<b>Unrestricted income funds - general</b>	20	<b>1,058,008</b>	<b>563,188</b>	<b>985,540</b>	<b>288,907</b>
<b>CPI – unrestricted designated fund</b>	20	<b>-</b>	<b>12,977</b>	<b>-</b>	<b>12,977</b>
<b>Clusters – unrestricted designated fund</b>	20	<b>35,539</b>	<b>57,206</b>	<b>35,539</b>	<b>57,206</b>
<b>Rife– unrestricted designated fund</b>	20	<b>14,662</b>	<b>14,662</b>	<b>14,662</b>	<b>14,662</b>
<b>Film Hub – unrestricted designated fund</b>	20	<b>68,849</b>	<b>63,962</b>	<b>68,849</b>	<b>63,962</b>
<b>Van Neste unrestricted designated fund</b>	20	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>30,000</b>
<b>ACE Cultural Recovery designated fund</b>	20	<b>34,310</b>	<b>-</b>	<b>34,310</b>	<b>-</b>
<b>Bristol + unrestricted designated fund</b>	20	<b>244,717</b>	<b>244,717</b>	<b>244,717</b>	<b>244,717</b>
<b>Head lease unrestricted designated fund</b>	20	<b>5,504,856</b>	<b>5,504,856</b>	<b>5,504,856</b>	<b>5,504,856</b>
<b>Capital unrestricted designated funds</b>	20	<b>709,544</b>	<b>709,544</b>	<b>709,544</b>	<b>709,544</b>
<b>Revaluation reserve (head lease)</b>	20	<b>1,435,600</b>	<b>1,435,600</b>	<b>1,435,600</b>	<b>1,435,600</b>
<b>Restricted capital funds</b>	21	<b>1,293,421</b>	<b>1,408,338</b>	<b>1,293,421</b>	<b>1,408,338</b>
<b>Total funds</b>		<b>10,399,506</b>	<b>10,045,050</b>	<b>10,327,038</b>	<b>9,770,769</b>

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

For the parent charity net movement in funds is a surplus of £556,269 (2020: surplus of £2,035,328).

These financial statements were approved by the Board on 8<sup>th</sup> December 2021 and were signed on its behalf by:

J Touzel



Chair of the Board

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### **Company information**

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

#### **Basis of preparation**

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

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

#### **Going Concern**

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

Measures taken to mitigate the immediate impact were:

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

As a contingency, Watershed's Trading Company successfully applied for a £200,000 CBILS loan. The loan is intended to support commercial activity only and is seen by the Board as a high risk short term survival strategy given current conditions. The Board has accepted the loan, which is not under guarantee by the Charity. The funds are held in a separate reserve account and is currently unused. Watershed has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

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

Watershed initially re-opened its doors to the public on 1 September 2020. Our re-opening model was put together by a cross-departmental team informed by audience and staff surveys, government guidelines and industry best practice to create the most financially efficient and safe model.

To mitigate risk and remain a going concern Watershed has had to make substantial changes to its operations including changing access to the public which has been reduced from 7 days a week to 6. Watershed's building is now closed on a Monday.

In October 2020, Watershed received confirmation of a £731,993 grant from the Arts Council's Cultural Recovery Fund. A further £215,713 grant from the second tranche of the Arts Council Cultural Recovery Fund was awarded in 2021/22. These funds provide Watershed with sufficient security to ensure that it remains a going concern as it reviews its business model.

Social distancing restrictions were lifted in July 2021 and our cinema, café/bar and events business has returned at reduced capacity levels as our base assumption errs on the side of caution to the end of the 2021/22 financial year.

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

Watershed Board and Executive continue to monitor alternative scenarios and financial modelling, to make changes where appropriate.

Budget and cashflow forecasts as at February 2021 and reforecasting at September 2021 indicate that the Watershed Group will sustain sufficient cashflow throughout the 2020/21, 2021/22 and 2022/23 financial years to continue operating without impediment. Reserves at the end of 2020/21 were £1,456,085, (£986,712 2019/20). This increase was mainly due to the Arts Council Cultural Recovery Fund. The consolidated statements have therefore been prepared on a going concern basis as considered appropriate by Watershed's Trustees.

### ***Basis of consolidation***

These consolidated financial statements include the financial statements of The Watershed Arts Trust Limited ("the charitable company"), Watershed Trading Limited and Watershed Ventures CIC, its wholly owned trading subsidiaries made up to 31 March 2021.

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

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

### ***Income***

#### ***Voluntary income***

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

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

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

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

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

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

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

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

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.

## 1 Accounting policies (continued)

### **Expenditure**

All expenditure is accounted for on an accruals basis.

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

Expenditure is recognised when a liability is incurred:

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

### **Leases**

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

### **Stocks**

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

### **Taxation**

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

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

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

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

### **Fund accounting**

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

#### **Restricted funds**

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

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

#### **Unrestricted funds**

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

#### **Designated funds**

The Bristol + (to be renamed Building Fund in 2021/22) is to ensure that Watershed buildings are maintained in an excellent state of repair, to meet the cost of unplanned emergency repairs and to meet future capital development needs.



## 1 Accounting policies (continued)

Currently Bristol + funds are underwriting the costs of furthering the development of Watershed's major capital programme whilst funding is secured to support the venture. At the end of 2020/21, these costs total £211,707 and are being treated as an asset on Watershed's balance sheet.

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

In 2020/21 a new designated fund was established to ring fence surpluses associated with the Arts Council Cultural recovery fund (£34,310). This fund will be fully utilised in the 2021/22 financial year.

### **Subsidiaries**

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

### **Fixed assets and depreciation**

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

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

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

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

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

#### Leasehold improvements

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

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

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

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

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

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

#### Acquisition of the head lease to E & W sheds

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

## **Notes** (continued)

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

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

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

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

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

### **Financial instruments**

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

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

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

#### **Basic financial assets**

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

#### **Basic financial liabilities**

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

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

### **Cash and cash equivalents**

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

### **Foreign currency policy**

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

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

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

**Notes** (continued)

**1 Accounting policies** (continued)

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

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

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

**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 2021 there were 12 members.

**4 Grant and project income receivable (Group)**

	Deferred as at 1 April 2020	Cash received & receivable 2020/21	Credited to income & expenditure 2020/21	Transferred to capital grants 2020/21	Deferred as at 31 March 2021
	£	£	£	£	£
<b>Income from donations and legacies</b>					
<b>Unrestricted grants</b>					
<b>Regular Grant Funding</b>					
Arts Council England – National Portfolio funds	-	757,984	(757,984)	-	-
Bristol City Council – Key Arts Provider funds	-	54,400	(54,400)	-	-
<b>Total Regular Grant Funding</b>	<b>-</b>	<b>812,384</b>	<b>(812,384)</b>	<b>-</b>	<b>-</b>
<b>Cultural Recovery Grants</b>					
Arts Council England	-	621,310	(587,977)	-	33,333
<b>Total unrestricted grant funding</b>	<b>-</b>	<b>621,310</b>	<b>(587,977)</b>	<b>-</b>	<b>33,333</b>
<b>Restricted grants</b>					
<b>Cultural Recovery Grants</b>					
Arts Council England – Cultural Recovery	-	110,683	(110,683)	-	-
<b>Total restricted grant funding</b>	<b>-</b>	<b>110,683</b>	<b>(110,683)</b>	<b>-</b>	<b>-</b>
<b>Income from charitable activities</b>					
<b>Unrestricted grants</b>					
Europa Cinemas	-	557	(557)	-	-
<b>Unrestricted other project funding</b>					
Other	-	3,000	(3,000)	-	-
<b>Total other grants</b>	<b>-</b>	<b>3,557</b>	<b>(3,557)</b>	<b>-</b>	<b>-</b>
<b>Restricted</b>					
<b>Programme funding - grants</b>					
British Film Institute	166,750	575,324	(742,074)	-	-
HE Sector	341,871	637,436	(835,848)	-	143,459

Other grants	3,378	56,032	(59,410)	-	-
<b>Programme funding - other</b>					
Other project funds	4,520	30,499	(35,019)	-	-
<b>Total programme funds</b>	<u>516,519</u>	<u>1,299,291</u>	<u>(1,672,351)</u>	<u>-</u>	<u>143,459</u>
<b>Other Grants</b>					
<b>Unrestricted</b>					
Government grants (COVID support)	-	777,264	(777,264)	-	-
<b>Total other grants</b>	<u>-</u>	<u>777,264</u>	<u>(777,264)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>516,519</u>	<u>3,624,489</u>	<u>(3,964,216)</u>	<u>-</u>	<u>176,792</u>

**Notes** (continued)

**5 Financial activities of the charity**

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

The gross incoming resources for the year ended 31 March 2021 for the charity was £4,006,366 (2020: £4,629,344). The overall net incoming resources for the year was a surplus of £556,269 (2020: surplus of £2,035,328), with a surplus of £671,186 (2020: £2,099,837) on unrestricted reserves.

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

	2021 Total £	2020 Total £
<b>Turnover</b>	<b>538,641</b>	1,819,854
Cost of sales	<b>(619,471)</b>	(1,258,276)
		—————
<b>Gross profit/(loss)</b>	<b>(80,830)</b>	561,578
Administration and other costs	<b>(63,563)</b>	(156,714)
		—————
<b>Trading profit/(loss)</b>	<b>(144,393)</b>	404,864
Other income	-	-
		—————
<b>Net income/(outgoing funds)</b>	<b>(144,393)</b>	404,864
Gift aid payment to Watershed Arts Trust Limited	-	(166,609)
Management charge from Watershed Arts Trust Limited	<b>(58,333)</b>	(205,000)
Tax on profit on ordinary activities	<b>2,079</b>	2,458
		—————
<b>Retained profit/(loss) for the year</b>	<b>(200,647)</b>	35,713
Retained profit brought forward	<b>264,829</b>	229,116
		—————
<b>Retained profit carried forward</b>	<b>64,182</b>	264,829
	=====	=====

The assets and liabilities of the subsidiary were:

	2021 Total £	2020 Total £
Fixed assets	<b>26,053</b>	34,199
Current assets	<b>476,061</b>	435,298
Creditors: amounts falling due within one year	<b>(434,347)</b>	(199,004)
Provisions for liabilities and charges	<b>(3,485)</b>	(5,564)
		—————
<b>Net assets</b>	<b>64,282</b>	264,929
	=====	=====
<b>Equity shareholders' funds</b>	<b>64,282</b>	264,929
	=====	=====

<b>Notes</b> <i>(continued)</i>	<b>2021</b>	2020
<b>Subsidiary Turnover</b>	<b>Total</b>	Total
	<b>£</b>	£
Café/bar, conference, retail sales	<b>98,754</b>	1,803,278
Government JRS grants	<b>373,220</b>	16,576
Arts Council England Cultural Recovery Fund	<b>66,667</b>	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Equity shareholders' funds</b>	<b>538,641</b>	1,819,854
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

	<b>2021</b>	2020
	<b>Total</b>	Total
	<b>£</b>	£
<b>Turnover</b>	-	3
Cost of sales	-	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Gross profit</b>	-	3
Administration and other costs	<b>(1,198)</b>	(1,692)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Trading profit</b>	<b>(1,198)</b>	(1,689)
Other income	<b>33</b>	118
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Net income</b>	<b>(1,165)</b>	(1,571)
Gift aid payment to Watershed Arts Trust Limited	-	-
Management charge from Watershed Arts Trust Limited	-	-
Tax on profit on ordinary activities	-	-
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Retained profit for the year</b>	<b>(1,165)</b>	(1,571)
Retained profit brought forward	<b>9,451</b>	11,022
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Retained profit carried forward</b>	<b>8,286</b>	9,451
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

The assets and liabilities of the subsidiary were:

	<b>2021</b>	2020
	<b>Total</b>	Total
	<b>£</b>	£
Current assets	<b>60,359</b>	60,252
Creditors: amounts falling due within one year	<b>(2,072)</b>	(800)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Net assets</b>	<b>58,287</b>	59,452
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Equity shareholders' funds</b>	<b>58,287</b>	59,452
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

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

**Notes** (continued)

**8 Allocation of support costs**

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

	Charitable activities	Fundraising costs	Governance	2021 Total	2020 Total
	£	£	£	£	£
<b>Support cost</b>					
General office	73,485	1,589	8,813	<b>83,887</b>	109,941
Finance office	164,696	2,122	38,951	<b>205,769</b>	216,719
External audit	-	-	19,433	<b>19,433</b>	16,551
Professional services	16,700	-	6,058	<b>22,758</b>	78,431
Fundraiser costs	-	16,564	-	<b>16,564</b>	50,469
	<u>254,881</u>	<u>20,275</u>	<u>73,255</u>	<u><b>348,411</b></u>	<u>472,111</u>

**9 Analysis of charitable expenditure**

	Audience Engagement Programme	Creative technology and talent development projects	2021 Total	2020 Total
	£	£	£	£
Cinema Screening – direct costs	445,132	-	<b>445,132</b>	1,042,645
Direct programme/project costs	606,316	882,492	<b>1,488,808</b>	1,370,254
Arts programme management and marketing	329,098	255,093	<b>584,191</b>	681,643
Premises costs	179,023	145,490	<b>324,513</b>	717,555
General support costs	203,905	50,976	<b>254,881</b>	344,229
Governance costs	58,604	14,651	<b>73,255</b>	73,312
Depreciation	157,052	39,263	<b>196,315</b>	263,993
	<u>1,979,130</u>	<u>1,387,965</u>	<u><b>3,367,095</b></u>	<u>4,493,631</u>

**Notes** *(continued)*

**10 Staff numbers and costs**

The average headcount in the year for the group was 109 (2020: 131).

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

	<b>Number of employees</b>	
	<b>2021</b>	2020
Cultural engagement programme	<b>35</b>	56
Administration	<b>12</b>	11
Trading	<b>19</b>	34
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>66</b>	101
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The aggregate payroll costs of these persons were as follows:

<b>Group</b>	<b>2021</b>	2020
	<b>£</b>	£
Directors' emoluments	-	-
Wages and salaries	<b>2,214,236</b>	2,694,905
Social security costs	<b>177,145</b>	278,626
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>2,391,381</b>	2,973,531
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

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

Key management compensation in total for the year was £78,668 (2020: £86,972). The key management personnel of the charity comprises the Chief Executive Officer.

The emoluments of one member of staff, including benefits in kind, are within the range of £60,000 to £69,999 (2020 - the emoluments of one employee, including benefits in kind, was within the range of £70,000 to £80,000).

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

	<b>2021</b>	2020
	<b>£</b>	£
Auditors' remuneration – audit (Charity: £13,650)	24,200	23,000
Depreciation and other amounts written off tangible fixed assets	208,887	275,322
Inventories recognised as an expense	628,362	1,257,449



**Notes** *(continued)*

**12 Taxation**

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary Watershed Trading Limited. There was no corporation tax due for 2021 or 2020 by Watershed Ventures CIC.

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on results of the year	-	-
<b>Deferred tax</b> (see note 19)		
Origination/reversal of timing differences	<b>(2,079)</b>	(2,458)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<b>(2,079)</b>	(2,458)
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the tax charge for the current period*

The tax assessed for the period differs from the standard rate of corporation tax in the UK (19%), (2020: 19%). The differences are explained below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	<b>(202,726)</b>	199,864
	<hr/>	<hr/>
Current tax at 19%	<b>(38,518)</b>	37,974
<i>Effects of:</i>		
Losses brought back	<b>36,275</b>	(36,275)
Other timing differences	-	396
Deferred tax adjustment relating to previous year	-	(4,653)
Expenses not deductible for tax purposes	<b>164</b>	100
	<hr/>	<hr/>
Total current tax charge (see above)	<b>(2,079)</b>	(2,458)
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**13 Tangible fixed assets**

	Head lease	Leasehold improvements	Furniture and equipment	Total
Group	£	£	£	£
<i>Cost or valuation</i>				
At beginning of year	7,650,000	3,110,594	1,946,564	12,707,158
Disposals in the year	-	-	(198,314)	(198,314)
Revaluation of head lease	-	-	-	-
Additions	-	-	27,123	27,123
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,650,000	3,110,594	1,775,373	12,535,967
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	-	1,875,067	1,370,651	3,245,718
Depreciation on disposals	-	-	(198,314)	(198,314)
Reversal of depreciation - head lease	-	-	-	-
Charge for year	-	102,998	105,889	208,887
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	1,978,065	1,278,226	3,256,291
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2021</b>	<b>7,650,000</b>	<b>1,132,529</b>	<b>497,147</b>	<b>9,279,676</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	7,650,000	1,235,527	575,913	9,461,440
	<hr/>	<hr/>	<hr/>	<hr/>

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

**Notes** (continued)

**13 Tangible fixed assets** (continued)

	Head lease	Leasehold improvements	Furniture and equipment	Total
	£	£	£	£
<b>Charity</b>				
<i>Cost or valuation</i>				
At beginning of year	7,650,000	3,110,594	1,813,214	12,573,808
Disposals in the year	-	-	(177,024)	(177,024)
Additions	-	-	22,697	22,697
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,650,000	3,110,594	1,658,887	12,419,481
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	-	1,875,067	1,271,500	3,146,567
Depreciation on disposals	-	-	(177,024)	(177,024)
Charge for year	-	102,998	93,317	196,315
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	1,978,065	1,187,793	3,165,858
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2021</b>	<b>7,650,000</b>	<b>1,132,529</b>	<b>471,094</b>	<b>9,253,623</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2020	7,650,000	1,235,527	541,714	9,427,241
	<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 2021 £	Charity 2020 £
At the beginning of the year	50,101	50,101
	<hr/>	<hr/>
At the end of the year	50,101	50,101
	<hr/> <hr/>	<hr/> <hr/>

The above shares represent equity investments in group undertakings.

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

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

**15 Stocks**

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Finished goods and goods for resale	6,051	14,942	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**16 Debtors**

	<b>Group</b>		<b>Charity</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	£	£	£	£
Trade debtors	<b>17,938</b>	84,674	<b>15,703</b>	42,910
Prepayments and accrued income	<b>305,245</b>	242,697	<b>305,245</b>	220,720
Other debtors including taxation and social security	<b>38,355</b>	4,801	<b>55,763</b>	4,788
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>361,538</b>	332,172	<b>376,711</b>	268,418
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All debtors are recoverable within one year.

Other debtors include an amount of £6,091 owed to Watershed for other taxes and social security.

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

	<b>Group</b>		<b>Charity</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	£	£	£	£
Trade creditors	<b>207,384</b>	325,798	<b>194,450</b>	307,597
Other creditors including taxation and social security	<b>133,538</b>	165,318	<b>51,143</b>	66,540
Accruals and deferred income	<b>396,349</b>	758,239	<b>302,676</b>	675,414
Amounts owed to group undertakings	-	-	<b>1,332</b>	8,443
CBILS loan	<b>200,000</b>	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>937,271</b>	1,249,355	<b>549,601</b>	1,057,994
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other creditors include £114,294 (2020: £132,253) an amount owed for other taxes and social security.

Accruals and deferred income includes accruals of £140,882, deferred income comprising £37,305 of conference deposits, £41,370 of rental income received in advance, and £176,792 of grant and project income (note 4).

In March 2021, a loan from HSBC Bank was taken out by Watershed Trading Limited for £200,000 as part of the Coronavirus Business Interruption Loan Scheme. The funds are held in a separate reserve account and are currently unused. The company has until 12 months after the drawdown date of the loan of 1 March 2021 to repay the amount in full, else the loan will begin to accrue interest from month 13 onwards.

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

	<b>Group</b>	<b>Charity</b>
	£	£
Balance as at 1 April 2020	<b>91,218</b>	<b>36,628</b>
Amount released to income earned from charitable activities	<b>(367,904)</b>	<b>(344,353)</b>
Amount deferred in the year	<b>355,361</b>	<b>349,095</b>
	<hr/>	<hr/>
Balance as at 31 March 2021	<b>78,675</b>	<b>41,370</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

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

	<b>Group</b>		<b>Charity</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	£	£	£	£
Other loans	<b>(29,690)</b>	(29,690)	<b>(29,690)</b>	(29,690)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Analysis of loans				
Wholly repayable within 5 years	<b>(29,690)</b>	(29,690)	<b>(29,690)</b>	(29,690)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

**19 Provisions and liabilities**

<b>Group</b>	<b>Deferred tax</b>
	£
At beginning of year	5,564
Release in the year (note 12)	(2,079)
	<u>          </u>
Add back deferred tax asset (held in debtors)	-
	<u>          </u>
<b>Deferred tax liability at end of year</b>	<b>3,485</b>
	<u>          </u>

The elements of deferred taxation are as follows:

	<b>2021</b>	2020
	£	£
Difference between accumulated depreciation and capital allowances	<b>3,485</b>	5,564
Other short term timing differences	-	-
	<u>          </u>	<u>          </u>
	<b>3,485</b>	5,564
	<u>          </u>	<u>          </u>

The charity has no deferred taxation liabilities.

**Notes** (continued)

**20 Unrestricted income funds**

	<b>Group</b>	<b>Charity</b>
At beginning of year	8,636,712	8,362,430
Movement in year before transfers	344,456	546,270
Transfer from restricted funds (note 21)	124,917	124,917
	—	—
<b>At end of year</b>	<b>9,106,085</b>	<b>9,033,617</b>
	=====	=====

	At beginning of year: 1 April 2020	Incoming resources	Expenditure	Transfers	Other recognised gains and losses	At end of Year: 31 March 2021
	£	£	£	£	£	£
<b>Unrestricted income funds</b>						
General fund	563,188	2,695,752	(2,351,296)	150,364	-	<b>1,058,008</b>
<i>Designated Funds</i>						
Bristol+ contingency fund	244,717	-	-	-	-	<b>244,717</b>
Head lease fund	5,504,856	-	-	-	-	<b>5,504,856</b>
Capital fund	709,544	-	-	-	-	<b>709,544</b>
Revaluation reserve (head lease)	1,435,600	-	-	-	-	<b>1,435,600</b>
CPI fund	12,977	-	-	(12,977)	-	-
Clusters Fund	57,206	-	-	(21,667)	-	<b>35,539</b>
Rife Fund	14,662	-	-	-	-	<b>14,662</b>
Film Hub Fund	63,962	-	-	4,887	-	<b>68,849</b>
Van Neste Designated Fund	30,000	-	-	(30,000)	-	-
ACE Cultural Recovery funds	-	-	-	34,310	-	<b>34,310</b>
	—	—	—	—	—	—
	8,636,712	2,695,752	(2,351,296)	124,917	-	<b>9,106,085</b>
	=====	=====	=====	=====	=====	=====

The head lease fund (£5,504,856) 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.

Following the revaluation of the head lease in July 2019 and a change in accounting treatment, accumulated depreciation charges of £709,544 have been written back. A new capital designated fund was set up in 2019/20 to ring-fence this amount for the purposes of capital investment. The uplift in the value of the head lease (£1,435,600) is held in the Revaluation reserve. These amounts represent the head lease valuation of £7,650,000 and therefore do not form part of the freely available reserves of the Trust.

**Notes** (continued)

**21 Restricted funds: Group and Charity**

	At beginning of year: 1 April 2020	Incoming resources	Transfer to unrestricted income funds	Re- classification to unrestricted funds	Outgoing resources	At end of Year: 31 March 2021
	£	£	£	£	£	£
<b>Capital funds</b>						
Deferred capital grant	9,597	-	(1,601)	-	-	7,996
Deferred capital refurbishment grants	572,003	-	(67,426)	-	-	504,577
Lottery lease purchase grant	531,431	-	(8,712)	-	-	522,719
ACE GforA capital grant	36,089	-	(2,800)	-	-	33,289
ACE small capital grant	143,550	-	(28,710)	-	-	114,840
LEP – capital grant	15,668	-	(15,668)	-	-	-
Garfield Weston capital grant	100,000	-	-	-	-	100,000
Other capital funds	-	10,000	-	-	-	10,000
	<u>1,408,338</u>	<u>10,000</u>	<u>(124,917)</u>	<u>-</u>	<u>-</u>	<u>1,293,421</u>

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

**Deferred capital grant**

Grant support to fund refurbishments undertaken in 2001/02 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 (25 years).

**Deferred capital refurbishment grants**

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

**Lottery lease purchase grant**

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

**LEP capital grant**

Grant support from West of England Local Enterprise Partnership to facilitate Watershed in setting up a new virtual reality lab has been written off in the year. The grant was novated to the University of the West of England (UWE) in the year 2020/21 and ownership of the assets funded by the grant were transferred to UWE.

**Garfield Weston capital grant**

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

**Other capital funds**

Donation from an individual specifically to support Watershed's capital development project has been transferred to deferred capital grants and will be taken to income over the same period of time as the depreciation of the assets it will fund once the capital project has been undertaken.

**Voluntary income and project funding from charitable activities**

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

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

**Notes** (continued)

**22 Analysis of fund balances - group**

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>2021 Total £</b>	<b>2020 Total £</b>
Fixed assets	7,986,255	1,293,421	<b>9,279,676</b>	9,461,440
Net current assets	1,153,005	-	<b>1,153,005</b>	618,864
Long term liabilities	(29,690)	-	<b>(29,690)</b>	(29,690)
Provisions for liabilities and charges	(3,485)	-	<b>(3,485)</b>	(5,564)
	<hr/>	<hr/>	<hr/>	<hr/>
	9,106,085	1,293,421	<b>10,399,506</b>	10,045,050
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**23 Operating leases as a lessee**

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

	<b>2021 Group and Charity plant and equipment £</b>	<b>2020 Group and Charity plant and equipment £</b>
Within one year	<b>10,306</b>	10,302
Between one and five years	<b>37,892</b>	41,209
After five years	-	-
	<hr/>	<hr/>
	<b>48,198</b>	51,511
	<hr/> <hr/>	<hr/> <hr/>

**24 Operating leases as a lessor**

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

	<b>2021 Group and Charity leasehold property £</b>	<b>2020 Group and Charity leasehold property £</b>
Within one year	<b>236,385</b>	236,385
Between one and five years	<b>806,974</b>	844,774
After five years	<b>382,179</b>	580,763
	<hr/>	<hr/>
	<b>1,425,538</b>	1,661,922
	<hr/> <hr/>	<hr/> <hr/>



## Notes (continued)

### 25 Related party transactions

During the year legal fees of £6,972 (2020: £24,205) were paid to TLT LLP in respect of legal services provided to the Watershed Group. In addition, pro bono services to the value of £6,141 (2020: £28,003) were provided to the Watershed Group. James Touzel is a trustee of Watershed Arts Trust Limited and a partner of TLT LLP.

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

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

During the year consultancy fees of £nil (2020: £2,500) were paid to Stephen Gatfield in respect of programme design and coaching sessions. Stephen Gatfield is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £nil (2020: £530) were paid to Sherrie Eugene Hart in respect of participation on an interview panel. Sherrie Eugene Hart is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £6,000 (2020: £nil) were paid to Susan Cooper in respect of work undertaken on the SWCTN programme. Susan Cooper is a trustee of Watershed Arts Trust Limited.

During the year consultancy fees of £1,025 (2020: £nil) were paid to Parys Gardener in respect of work undertaken on programme design and facilitation. Parys Gardener is a trustee of Watershed Arts Trust Limited.

26 **Comparative statement of financial activities**

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