

Registered number 978279
Charity number 261430

WATERMILL THEATRE LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 MARCH 2011

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WATERMILL THEATRE LIMITED
(A company limited by guarantee)

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The following pages do not form part of the statutory financial statements

WATERMILL THEATRE LIMITED
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE PERIOD ENDED 27 MARCH 2011**

Trustees

A Ayers
R M Bernard
D S Campbell
P Dann
C I McA Fox
K S H Gartzke
P C L Griffin
D A Puxley
E F Taylor
A M L Tuckey, Chair

Company registered number

978279

Charity registered number

261430

Registered office

The Watermill Theatre
Bagnor
Newbury
Berkshire
RG20 8AE

Chief executive officer

Hedda Beeby

Auditors

James Cowper LLP
Chartered Accountants and Statutory Auditor
Mill House
Overbridge Square
Hambridge Lane
Newbury
Berkshire
RG14 5UX

WATERMILL THEATRE LIMITED
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE PERIOD ENDED 27 MARCH 2011**

Advisers (continued)

Bankers

Lloyds TSB Bank Plc
5 Bridge Street
Newbury
Berkshire

Solicitors

Harbottle & Lewis LLP
Hanover House
14 Hanover Square
London

WATERMILL THEATRE LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE PERIOD ENDED 27 MARCH 2011

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of The Watermill Theatre Limited (the charity) for the period ended 27 March 2011. The Trustees confirm that the Annual report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

Structure, governance and management

Governing document

The charity is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 28 April 1970.

The charity is constituted under a Memorandum of Association dated 28 April 1970 and is a registered charity number 261430.

The principal objects of the charity are to promote, maintain, improve and advance education particularly by the production of educational plays and the encouragement of the arts including the arts of drama, ballet, music, singing, literature, sculpture and painting.

Appointment of trustees

The trustees regularly review the structure, size and composition of the board, with the object of having a membership of varied experience that is able to offer help and advice to the Artistic and Executive Director and to the theatre's management.

Trustee induction and training

The existing trustees, together with the Artistic and Executive Director, ensure that new Trustees receive proper briefing and induction on their appointment.

Organisation

The Trustees administer the charity and determine the general policy of the theatre. The day to day management is delegated to the Artistic and Executive Director - Hedda Beeby.

Risk management

Internal systems are in place to meet the particular needs and risks to which the theatre is exposed, to manage those risks and to provide reasonable assurance against any misstatement or loss. Established procedures and budgetary controls operate to properly monitor the theatre's income and expenditure.

Objectives and Activities

Objects and aims

The principal aims of The Watermill were fulfilled in 2010-11 through the production of educational plays and the encouragement of theatre and the performing arts.

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

The purpose of all our activities is to encourage a knowledge and appreciation of the arts through a programme centred on education and recreation for the public in drama, music and the arts in general. The Watermill aims to contribute to the quality of life of its community by providing a challenging and stimulating programme of live performance.

In order to achieve the theatre's charitable aims, The Watermill's programme focuses on

- a broad programme of theatre productions including classical and contemporary drama, musical theatre and work for young people
- a range of participatory activities for all ages and to encourage creativity of all kinds
- providing a resource for amateur and professional artists to develop
- involving young people in the arts

In all our planning, the board has considered the Charity Commission's guidance on public benefit and fee charging. The theatre relies on its grants from the Arts Council of England and West Berkshire Council as well as on box office income and fundraising. In setting ticket prices, the theatre gives careful consideration to retaining accessibility for those on low incomes.

Artistic programme

The Watermill fulfilled its artistic aims and priorities during 2010-11 by producing eight main house productions, two outreach touring productions, one mid-scale tour, one schools production and two youth theatre productions.

Attendance averaged over 80% for main house productions over the year. 66,000 people attended shows at the Watermill and a further 16,400 saw the theatre's work on tour in the UK.

The Watermill continued to attract excellent levels of national and local press coverage.

The year began with *BRONTE* produced with award-winning company Shared Experience. This was an exciting project led by internationally acclaimed director, Nancy Meckler, and involved a company of young actors, largely straight from drama school, who were given extra rehearsal time for teaching and additional support from movement and voice practitioners. Thus the rehearsal period also offered a valuable training opportunity for these young performers.

This was followed by our outreach show which was a new version of *GULLIVERS TRAVELS* adapted by Toby Hulse which had also toured to village halls and rural arts centres.

DAISY PULLS IT OFF directed by Caroline Leslie proved to be hugely popular and played to over 94% capacity. It was greatly enjoyed by family audiences and those remembering their own school days.

Our summer musical was Barry Manilow's *COPACABANA* directed by Craig Revel Horwood with orchestrations by Sarah Travis. This was a great hit and audiences were exhilarated by the tremendous skill of the performers who acted, sang, danced and played instruments. This production played to over 95%. "The cast are a sheer joy to watch. The theatre's trademark pioneering tradition of using the performers as musicians as well as actors is breathtaking as the company effortlessly switch roles and they play and act with panache in what is a passionate, high energy production and I urge you to book soon to get one of the remaining tickets." *British Theatre Guide*,

In September we launched our revival tour of *SPEND, SPEND, SPEND!* This production had won the TMA award for best musical in 2009 and thanks to an additional grant from Arts Council of England Grants for the Arts we were able to revive the show for touring to 7 venues.

In the Autumn of 2010 our production was Alan Bennett's *SINGLE SPIES* directed by James Glover played to over 80% attendance. "It's astonishing how one dinky playhouse so far from London can hold such sway in the

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

field of musicals. It shouldn't be overlooked though, especially by producers looking for first-rate transfer material, that it holds its own in straight theatre too." The Telegraph

Our Autumn outreach tour was a co-production with Zimbabwean company Two Gents Productions and was a two-man HAMLET. This toured to village halls and small arts centres and gained a tremendous response.

For Christmas we commissioned a new version of Robert Louis Stevenson's TREASURE ISLAND from Toby Hulse with original music by Simon Slater and directed by Robin Belfield who had previously been our assistant in the Outreach department. This production was enormously well received and played to over 13,300 young people and their families. "once again it exceeds all expectations to thrill, entertain and excite audiences of all ages in this excellent adaptation, which delivers on all levels." The Stage

Our final production of the year was Alan Ayckbourn's RELATIVELY SPEAKING directed by Orla O'Loughlin which played to 86%.

Helen Watson's annual SEASONAL SAUCE continued to keep this art form alive with a company that included those well established in the profession plus two young performers who are just starting out.

The Youth Theatre had an excellent year reviving Ade Morris' BULLETS AND BEETROOT LIPS, a play especially written for the group that juxtaposed wartime Newbury with political events 50 years later. There was also a new adaptation of THE THREE MUSKETEERS performed by the Senior Youth Theatre.

Continuing our work with local non-professional companies The Box Theatre Company and Newbury Dramatic Society came together once again for a double-bill of two one-act plays – one by Marivaux the other by Tom Stoppard. The productions involved over 30 local people.

Our middle-scale tour for the year was SPEND, SPEND SPEND! which toured to Guildford, Salford, Leeds, Cheltenham, Richmond and Ipswich. The two small scale/rural tours of GULLIVERS TRAVELS and HAMLET toured for 7 weeks to village halls and small arts centres.

Outreach Director Beth Flintoff created a new 2-man version of Marlowe's DR FAUSTUS which toured to local schools and was especially designed for A' Level students. The production visited 14 schools.

RAISING VOICES, our occasional new writing festival, presented professionally staged readings of 4 new plays chosen from a large number of submissions. All the submissions received a report and feedback on their works.

We have also had a number of one-off events over the year. These have been programmed with the aim of attracting new audiences to The Watermill. A series of Book Club events have been run with authors ranging from Joanna Trollope, Gervase Phinn and Tracy Chevalier to Sarah Raven, Barbara Taylor Bradford and Jo Brand.

We have also run a series of Saturday morning shows for children including the children's comedian James Campbell, a storytelling event and a special children's poetry show for National Poetry Day, POETRY SOUP. Almost 500 children attended these performances.

Outreach, learning and participation

A wide range of activities in the community took place throughout the year and The Watermill has engaged with approximately 13,600 people during this period, all of them actively involved in our learning and participatory work.

Our programme of youth theatre activities continues to go from strength to strength. The Watermill Young Company (aged 17 – 25 yrs), Senior Youth Theatre (aged 11 – 16yrs) and Junior Youth Theatre (6 – 11yrs) meet weekly at The Watermill. The Associate Youth Theatre – formed out of the waiting list for the main youth

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

theatre - has developed into a group with its own strong identity and performed six short plays outside in the gardens entitled 'Metamorphosis' during the summer. And our Waterminis group of toddlers aged 20 months to 4yrs and their carers has continued to flourish. Altogether some 155 children and young people visit the theatre each week as part of our youth theatre activities.

There were two large-scale youth theatre productions in the theatre involving 45 young people and featuring new writing. BULLETS AND BEETROOT LIPS performed by the Young Company, and a new adaptation of THE THREE MUSKETEERS performed by The Senior Youth Theatre.

This year saw further development in our work with schools. In response to feedback from secondary school Drama and English teachers, we developed a two-man touring production of Doctor Faustus, which performed at 14 schools and several small venues, as well as having a few daytime performances in the main theatre. The production was fully booked and came with a support package including education packs and workshops. Other schools work included a two week residency at a Reading school running a Shakespeare performance competition, and a host of workshops and other support for schools. March saw the beginning round of workshops for the Federation Schools production, The Green of the Spring, involving over 100 primary schools children, the performances of which occur in 2011-12.

Working with The Education and Business Partnership, The Watermill facilitators delivered a series of ten workshops at Vodafone Headquarters to 50 local students developing their business and presentation skills.

The Watermill Summer School included last year's successful Watermill Academy, an intensive week designed for 16 – 20 year olds who are serious about drama as a career. In addition, our usual 'Play in a Week' and 'Musical in a Week' courses were successfully hosted by Paul Kissaun and Polly Highton. We added further holiday courses this year: comedy workshops in the autumn run by the physical comedy duo Plested and Brown, and an Easter Holiday 'Play in a Week' course. On two days, once in the autumn and once in the spring, we opened up The Watermill to families, offering mask painting, storytelling, dressing up, and a whole host of activities across the theatre buildings.

This year we expanded our work with adults, offering two six week drama courses, the scratch choir – a one day singing event – and Salsa classes for COPACABANA audiences. All our adult courses were extremely popular and sold out quickly. We also made good links with businesses, running a workshop series on communication skills with Vodafone staff.

A unique collaboration with the Phoenix centre for people with disabilities has seen the creation of a film, written and directed by Ade Morris and filmed by ex-Young Company filmmaker Malcolm Ellison. The film looks at the challenges faced by families of people with learning disabilities and is designed as a tool for families and carers.

We also continued to offer a regular programme of Theatre Tours and Talk Back sessions. We provided Education packs free of charge for each main house production and the touring outreach work.

Friends and volunteers

The Friends continued to provide huge support for the theatre raising over £71,000 through a variety of events. There was a particularly strong range of speakers at the regular Supper Talks including Max Hastings and Lady Carnarvon. Robert Hardy hosted a highly successful showing of John Schlesinger's first film. Our ever popular Summer Fair was attended by over 800 people and for the first time we held a Christmas Bazaar which raised over £3,000.

The Development Board started a programme of fundraising events, 'An Audience With ' and we were tremendously grateful to the support of Joanna Lumley and Alan Titchmarsh for the first two of these events.

Volunteers play a key role in The Watermill's day-to-day running and we rely heavily on volunteer support from

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

a pool of 40 front of house ushers. Their contribution helps keep staff costs lower than would otherwise be the case and they are important ambassadors of the theatre for our audience. We are enormously grateful to our Friends and volunteers for their loyal support.

Pricing policy

Our pricing policy is aimed at maximising our potential income to support the charity whilst at the same time ensuring all members of our community can attend our theatre. Shows are priced in relation to the costs of mounting a particular production. Full price tickets for main house shows range from £14 - £30 with concessions available for children, students, senior citizens, job seekers and disabled people.

There are also special discount initiatives aimed at attracting particular groups and first time attendees.

Financial review

The trustees report a surplus for the year on Unrestricted Funds of just over £56,000.

Ticket sales and related activities continue to be the main source of income. Corporate sponsorship and donations from trusts and individuals play a crucial part with over £150,000 raised this year. The catering operation also continued to trade well and generated a surplus of income over expenditure of over £58,000.

Overall, for the year under review, of the total unrestricted income of the charity 78.5% was earned by its own activities with the remaining 21.5% being in grants, including those for touring.

Expenditure for the year was, as usual principally spent on productions and the running of the theatre (73%). 10% was spent on voluntary activities and 17% on the costs involved in generating the catering and associated income.

The reduction in turnover is largely due to the reduction in touring activity in the year.

Reserves policy

The charity's policy is each year to match income and expenditure and avoid accumulating a deficit. If surpluses arise, these are carried to reserves and, over a period, these reserves provide for continuing investment in the property, the theatre's amenities and furthering the diversification of all our theatre work.

The Trustees are mindful that reinvesting all of the unrestricted reserves into productions or assets could limit the amount of cash which the theatre would have available. Last year, it was decided that there should always be an amount set aside of at least £200,000 in cash reserves to meet any contingencies from deficits in box office income or unexpected costs arising from the property and other assets. The present economic climate makes imperative that we guard against any falling in box office income. Moreover, we have clearly identified a number of areas where expenditure on repairs and improvements to the property will have to be incurred during the next 18 months.

It has therefore been decided that it would be prudent to increase our cash reserve figure from £200,000 to £250,000.

In relation to the reserves, it should also be noted that the Contingent Liability (see note 28) - the loan from the Boris Karloff Charitable Foundation of £700,000 has been repaid in the year.

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

Plans for the future

We are delighted to report that The Watermill has successfully applied to become an Arts Council of England Portfolio Funded Organisation. This means that the theatre's grant income is confirmed for the next three years making planning in a difficult climate much more achievable. Support from West Berkshire Council has also been confirmed until 2014.

Bookings for 2011-12 have so far been promising, but achieving the budgeted levels of box office income at 80% remains difficult.

A grant of £100,000 per year for 3 years commencing 2011-12 has also been confirmed thanks to the generosity of the Dr Mortimer and Theresa Sackler Foundation.

Many thanks are extended to the tremendous team of Watermill staff, artists, technicians, volunteers, friends, audience members and supporters who do so much to keep this unique theatre alive.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of The Watermill Theatre Limited for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these 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 judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

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TRUSTEES' REPORT (continued)
FOR THE PERIOD ENDED 27 MARCH 2011

AUDITORS

The auditors, James Cowper LLP, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by the Trustees on 17-9-11 and signed on their behalf, by



A M L Tuckey, Chairman

WATERMILL THEATRE LIMITED
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERMILL THEATRE LIMITED

We have audited the financial statements of Watermill Theatre Limited for the period ended 27 March 2011 set out on pages 12 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 27 March 2011 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

WATERMILL THEATRE LIMITED
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERMILL THEATRE LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Mr Michael Farwell (Senior Statutory Auditor)

for and on behalf of
James Cowper LLP
Chartered Accountants and Statutory Auditor

Mill House
Overbridge Square
Hambridge Lane
Newbury
Berkshire
RG14 5UX
Date

28/9/2011

WATERMILL THEATRE LIMITED
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE PERIOD ENDED 27 MARCH 2011

	Note	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	113,095	760,908	874,003	1,016,993
Activities for generating funds	5	-	501,797	501,797	493,306
Investment income	6	604	14,123	14,727	2,872
Incoming resources from charitable activities	7	-	1,248,877	1,248,877	1,548,090
TOTAL INCOMING RESOURCES		113,699	2,525,705	2,639,404	3,061,261
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	8	86,585	159,273	245,858	250,503
Restaurant, bar and other expenditure	5	-	435,894	435,894	410,297
Charitable activities	9	-	1,861,250	1,861,250	2,297,775
Governance costs	13	-	12,570	12,570	20,329
TOTAL RESOURCES EXPENDED		86,585	2,468,987	2,555,572	2,978,904
NET INCOMING RESOURCES BEFORE REVALUATIONS		27,114	56,718	83,832	82,357
Exceptional item - VAT repayment		-	-	-	252,883
NET MOVEMENT IN FUNDS FOR THE YEAR		27,114	56,718	83,832	335,240
<i>Total funds at 29 March 2010</i>		<i>2,524,716</i>	<i>649,832</i>	<i>3,174,548</i>	<i>2,839,308</i>
TOTAL FUNDS AT 27 MARCH 2011		2,551,830	706,550	3,258,380	3,174,548

All activities relate to continuing operations

The notes on pages 15 to 28 form part of these financial statements

WATERMILL THEATRE LIMITED
(A company limited by guarantee)
REGISTERED NUMBER 978279

BALANCE SHEET
AS AT 27 MARCH 2011

	Note	£	27 March 2011 £	£	28 March 2010 £
FIXED ASSETS					
Tangible assets	16		2,614,310		2,669,074
CURRENT ASSETS					
Stocks	17	4,574		6,817	
Debtors	18	134,114		156,036	
Cash at bank		947,618		1,334,610	
		<u>1,086,306</u>		<u>1,497,463</u>	
CREDITORS: amounts falling due within one year	19	<u>(442,236)</u>		<u>(291,989)</u>	
NET CURRENT ASSETS			<u>644,070</u>		<u>1,205,474</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,258,380</u>		<u>3,874,548</u>
CREDITORS amounts falling due after more than one year	20		<u>-</u>		<u>(700,000)</u>
NET ASSETS			<u><u>3,258,380</u></u>		<u><u>3,174,548</u></u>
CHARITY FUNDS					
Restricted funds	22		2,551,830		2,524,716
Unrestricted funds	22		706,550		649,832
			<u><u>3,258,380</u></u>		<u><u>3,174,548</u></u>

The financial statements were approved by the Trustees on 17 September 2011 and signed on their behalf, by

A M L Tuckey, Chairman

The notes on pages 15 to 28 form part of these financial statements

WATERMILL THEATRE LIMITED
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CASH FLOW STATEMENT
FOR THE PERIOD ENDED 27 MARCH 2011

	Note	27 March 2011 £	28 March 2010 £
Net cash flow from operating activities	24	359,467	403,603
Returns on investments and servicing of finance	25	-	2,872
Capital expenditure and financial investment	25	(46,459)	(83,371)
CASH INFLOW BEFORE FINANCING		313,008	323,104
Financing	25	(700,000)	-
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(386,992)	323,104

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 27 MARCH 2011

	27 March 2011 £	28 March 2010 £
(Decrease)/Increase in cash in the period	(386,992)	323,104
Cash outflow from decrease in debt and lease financing	700,000	-
MOVEMENT IN NET DEBT IN THE PERIOD	313,008	323,104
Net funds at 29 March 2010	634,610	311,506
NET FUNDS AT 27 MARCH 2011	947,618	634,610

The notes on pages 15 to 28 form part of these financial statements

WATERMILL THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 MARCH 2011

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Company status

The charitable company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the charitable company being wound up, the liability in respect of the guarantee is limited to £1 per member of the charitable company.

1.3 Incoming resources

Income is recognised on an accruals basis.

Income from charitable activities represents the amounts received from the box office and from touring activities in respect of all productions performed during the period.

Voluntary income represents the amounts received from grants, sponsorship and other donations.

Income from activities for generating funds represents the amounts received in respect of the restaurant and bar and other related activities.

Investment income represents interest receivable on cash balances held in appropriate interest bearing deposit accounts.

1.4 Resources expended

Resources expended are accounted for on an accruals basis.

Resources expended on charitable activities represents the expenditure incurred in respect of productions performed during the period and includes both the direct costs and support costs relating to these activities. Expenditure incurred in respect of productions performed after the date of the balance sheet is deferred to future accounting periods.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Costs of generating funds represents the expenditure incurred in attracting voluntary income and in respect of the restaurant and bar and other related activities.

Support costs are allocated based on the proportion of theatre to non theatre activities. Where costs are directly attributable, as in the case of fundraising, these costs have not been apportioned.

The value of services provided by volunteers is not incorporated into these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 MARCH 2011

1 ACCOUNTING POLICIES (continued)

1.5 Fund accounting

The charity's reserves have been allocated to separate funds for future application

Unrestricted funds

These funds arise from the accumulated surplus and deficit on general charitable activities

Restricted funds

These funds are subject to specific conditions imposed by the donors

1.6 Taxation

The company is exempt from corporation tax on its charitable activities

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold land	-	not provided
Freehold building	-	2% and 10% on cost
Leasehold improvements	-	20% on cost
Theatre equipment	-	20% on cost and 25% on reducing balance
Restaurant equipment	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance

1.8 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term

1.9 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value

1.10 Pensions

The charitable company operates a defined contribution pension scheme for certain of its employees. The assets of these schemes are held separately from those of the charity in independently administered funds. Contributions payable to the scheme for the period are charged to the statement of financial activities as incurred.

1.11 Irrecoverable VAT

Any irrecoverable element of VAT is included with the item of expense to which it relates

WATERMILL THEATRE LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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2 VOLUNTARY INCOME

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Save the Watermill Appeal	104,519	-	104,519	123,941
Grants	-	542,249	542,249	653,175
Sponsorship	-	27,260	27,260	32,225
Trusts and donations	8,576	108,349	116,925	141,995
Friends of the Watermill	-	71,791	71,791	58,793
Corporate friends of the Watermill	-	11,259	11,259	6,864
	<u>113,095</u>	<u>760,908</u>	<u>874,003</u>	<u>1,016,993</u>

3 GRANTS

	2011 £	2010 £
General		
West Berkshire Council	35,220	34,950
Arts Council England, South east	334,784	327,620
Youth, Education and Outreach		
West Berkshire Council	14,745	14,745
Touring		
Arts Council England	157,500	275,860
Total	<u>542,249</u>	<u>653,175</u>

4. SPONSORSHIP

	2011 £	2010 £
Accenture	18,625	10,725
Mercedes Benz	-	2,000
Kleinwort Benson	-	2,000
Sheepgrove Organic Farm	-	5,000
Fuller Smith & Turner	6,000	6,000
Coutts & Co	-	4,500
SAICA Packaging South	-	2,000
Horsey Lightly	2,635	-
Total	<u>27,260</u>	<u>32,225</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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5 ACTIVITIES FOR GENERATING FUNDS

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Theatre, room and technical hire	-	7,252	7,252	14,191
Restaurant, bar and other income	-	494,545	494,545	479,115
	<u>-</u>	<u>501,797</u>	<u>501,797</u>	<u>493,306</u>

RESTAURANT, BAR AND OTHER INCOME AND EXPENDITURE

	2011 £	2010 £
Income	494,545	479,115
Cost of sales	(391,324)	(356,220)
Gross surplus	<u>103,221</u>	<u>122,895</u>
Administration expenditure	(44,572)	(54,077)
Net surplus	<u>58,649</u>	<u>68,818</u>

6 INVESTMENT INCOME

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Interest	<u>604</u>	<u>14,123</u>	<u>14,727</u>	<u>2,872</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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7 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Total funds 2011 £	<i>Total funds 2010 £</i>
Theatre box office	942,118	923,778
Touring productions	131,915	554,739
Outreach	57,289	18,654
Federation of Schools	-	3,593
Education and youth theatre	77,595	11,405
Other theatre projects	11,546	6,897
Programme receipts	28,414	29,024
	<u>1,248,877</u>	<u>1,548,090</u>

8 COSTS OF GENERATING VOLUNTARY INCOME

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	<i>Total funds 2010 £</i>
Premises costs	-	3,815	3,815	3,868
Office costs	-	9,905	9,905	11,253
Repairs and renewals	4,539	1,709	6,248	13,364
Fundraising and appeal costs	-	28,933	28,933	29,197
Other fundraising and publicity costs	-	11,893	11,893	9,353
Irrecoverable VAT	9,480	-	9,480	4,740
Staff costs	-	101,834	101,834	100,724
Depreciation	72,566	1,184	73,750	78,004
	<u>86,585</u>	<u>159,273</u>	<u>245,858</u>	<u>250,503</u>

9 ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2011 £	Support costs 2011 £	Total 2011 £	<i>Total 2010 £</i>
Production costs	1,381,514	-	1,381,514	1,813,329
Management and administration	200,332	-	200,332	215,045
Other direct costs	-	-	-	25,084
Support costs	-	279,404	279,404	244,317
Total	<u>1,581,846</u>	<u>279,404</u>	<u>1,861,250</u>	<u>2,297,775</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 MARCH 2011

10 PRODUCTION COSTS

	2011 £	2010 £
Theatre productions	900,273	948,398
Touring productions	256,366	658,393
Outreach	111,130	146,960
Youth theatre	49,460	11,865
Federation of Schools	-	9,727
Irrecoverable VAT	62,091	37,986
Other theatre projects	2,194	-
Total	1,381,514	1,813,329

11 MANAGEMENT AND ADMINISTRATION

	2011 £	2010 £
Staff costs	165,568	178,011
Premises costs	7,629	7,738
Office costs	6,594	7,124
Repairs and renewals	3,418	2,547
Finance costs	1,677	2,998
Other management and administration costs	13,077	14,200
Depreciation and loss on disposal	2,369	2,427
Total	200,332	215,045

12 SUPPORT COSTS

	2011 £	2010 £
Staff costs	140,693	116,528
Premises costs	64,850	65,773
Office costs	6,593	7,124
Repairs and renewals	29,049	21,649
Other support costs	18,081	12,621
Depreciation	20,138	20,622
Total	279,404	244,317

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**NOTES TO THE FINANCIAL STATEMENTS
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13 GOVERNANCE COSTS

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Professional costs	-	12,570	12,570	20,329

14 NET INCOMING RESOURCES

This is stated after charging/(crediting)

	Period 29.3 10 to 27 3 11 27 March 2011 £	Period 30 3 09 to 28 3 10 28 March 2010 £
Depreciation of tangible fixed assets		
- owned by the charity	100,163	102,573
Loss/profit on disposal of fixed assets	1,060	1,030
Operating leases		
- land and buildings	13,200	24,575
- equipment	2,489	1,262
Auditors' remuneration	4,500	4,500
Auditors' remuneration for non-audit work	5,338	8,575
Exceptional item - VAT repayment	-	(252,883)

During the period, no Trustees received any remuneration (2010 - £NIL)

During the period, no Trustees received any benefits in kind (2010 - £NIL)

During the period, no Trustees received any reimbursement of expenses (2010 - £NIL)

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**NOTES TO THE FINANCIAL STATEMENTS
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15 STAFF COSTS

Staff costs were as follows

	27 March 2011 £	28 March 2010 £
Wages and salaries	1,378,643	1,514,118
Pension costs	9,158	13,606
Social security costs	99,162	114,555
	<u>1,486,963</u>	<u>1,642,279</u>

The average monthly number of employees during the period was as follows

	2011 No	2010 No
Theatre	65	70
Restaurant and bar	17	17
	<u>82</u>	<u>87</u>

No employee received remuneration amounting to more than £60,000 in either year

16. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold improvements £	Theatre equipment £	Motor vehicles £	Restaurant equipment £	Total £
Cost						
At 29 March 2010	2,890,735	42,150	240,599	15,000	56,326	3,244,810
Additions	25,698	-	17,962	-	2,799	46,459
Disposals	-	-	(6,816)	-	(845)	(7,661)
At 27 March 2011	<u>2,916,433</u>	<u>42,150</u>	<u>251,745</u>	<u>15,000</u>	<u>58,280</u>	<u>3,283,608</u>
Depreciation						
At 29 March 2010	363,454	16,210	150,209	6,565	39,298	575,736
Charge for the period	53,794	8,430	30,159	2,815	4,965	100,163
On disposals	-	-	(6,021)	-	(580)	(6,601)
At 27 March 2011	<u>417,248</u>	<u>24,640</u>	<u>174,347</u>	<u>9,380</u>	<u>43,683</u>	<u>669,298</u>
Net book value						
At 27 March 2011	<u>2,499,185</u>	<u>17,510</u>	<u>77,398</u>	<u>5,620</u>	<u>14,597</u>	<u>2,614,310</u>
At 28 March 2010	<u>2,527,281</u>	<u>25,940</u>	<u>90,390</u>	<u>8,435</u>	<u>17,028</u>	<u>2,669,074</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16 TANGIBLE FIXED ASSETS (continued)

Included in land and buildings is freehold land at cost of £28,000 (2010 £28,000) which is not depreciated

17. STOCKS

	27 March 2011 £	28 March 2010 £
Restaurant and bar	3,815	5,825
Merchandise	759	992
	<u>4,574</u>	<u>6,817</u>

18 DEBTORS

	27 March 2011 £	28 March 2010 £
Trade debtors	11,764	20,710
Other debtors	16,704	47,331
Prepayments	105,646	87,995
	<u>134,114</u>	<u>156,036</u>

19. CREDITORS

Amounts falling due within one year

	27 March 2011 £	28 March 2010 £
Trade creditors	105,953	34,178
Social security and other taxes	22,259	24,350
Other creditors	65,482	54,971
Accruals and deferred income	248,542	178,490
	<u>442,236</u>	<u>291,989</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 MARCH 2011**

20 CREDITORS

Amounts falling due after more than one year

	27 March 2011 £	28 March 2010 £
Loans	-	700,000

The loan of £700,000 was due for repayment on 17 April 2012 but was repaid on 1 February 2011. The associated legal charge was lifted on repayment.

21 DEFERRED INCOME

	2011 £	2010 £
At 29 March 2010	164,566	396,175
Amount released to incoming resources	(164,566)	(396,175)
Amount deferred in the period	231,739	164,566
Total	231,739	164,566

Deferred income represents amounts received in respect of future productions and donations and grants which the donor has specified to be used in future accounting periods.

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**NOTES TO THE FINANCIAL STATEMENTS
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22 STATEMENT OF FUNDS

	Brought forward £	Incoming resources £	Resources expended £	Carried forward £
Unrestricted funds				
General fund	649,832	2,525,705	(2,468,987)	706,550
Restricted funds				
Telephone fundraising campaigns	26,041	8,577	(11,886)	22,732
Save the Watermill Appeal	2,498,675	105,122	(74,699)	2,529,098
	2,524,716	113,699	(86,585)	2,551,830
Total funds	3,174,548	2,639,404	(2,555,572)	3,258,380

The theatre undertook two telephone fundraising campaigns to enable improvements to be made to the theatre's amenities. During the current period further funds of £8,557 have been received in respect of these campaigns. The resources expended of £11,886 comprise of various repairs and improvement costs.

The Save the Watermill Appeal was launched in June 2005 to raise £3 million for the purchase of the theatre premises and to complete essential building work. During the current period funds of £105,122 have been received and further amounts will be received in future periods. The resources expended of £74,699 comprise of £72,566 restricted depreciation and £2,133 of repairs to the theatre.

SUMMARY OF FUNDS

	Brought forward £	Incoming resources £	Resources expended £	Carried forward £
General funds	649,832	2,525,705	(2,468,987)	706,550
Restricted funds	2,524,716	113,699	(86,585)	2,551,830
	3,174,548	2,639,404	(2,555,572)	3,258,380

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**NOTES TO THE FINANCIAL STATEMENTS
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23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Tangible fixed assets	2,530,448	83,862	2,614,310	2,669,074
Current assets	21,382	1,064,924	1,086,306	1,497,463
Creditors due within one year	-	(442,236)	(442,236)	(291,989)
Creditors due in more than one year	-	-	-	(700,000)
	<u>2,551,830</u>	<u>706,550</u>	<u>3,258,380</u>	<u>3,174,548</u>

24 NET CASH FLOW FROM OPERATING ACTIVITIES

	27 March 2011 £	28 March 2010 £
Net incoming resources	83,832	82,357
Returns on investments and servicing of finance	-	(2,872)
Exceptional items	-	252,883
Depreciation of tangible fixed assets	100,163	102,573
Loss/(profit) on disposal of fixed assets	1,060	1,030
Decrease in stocks	2,243	876
Decrease in debtors	21,922	281,921
Increase/(decrease) in creditors	150,247	(315,165)
Net cash inflow from operations	<u>359,467</u>	<u>403,603</u>

25 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	27 March 2011 £	28 March 2010 £
Returns on investments and servicing of finance		
Interest paid	-	2,872
	<u>-</u>	<u>2,872</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(46,459)	(83,371)
	<u>(46,459)</u>	<u>(83,371)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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25 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	27 March 2011 £	28 March 2010 £
Financing		
Repayment of loans	(700,000)	-

26 ANALYSIS OF CHANGES IN NET FUNDS

	29 March 2010 £	Cash flow £	Other non-cash changes £	27 March 2011 £
Cash at bank and in hand	1,334,610	(386,992)	-	947,618
Debt				
Debts falling due after more than one year	(700,000)	-	700,000	-
Net funds	634,610	(386,992)	700,000	947,618

27 CONTINGENT LIABILITIES

A grant of £572,000 was received on 17 April 2007 as part of the Save the Watermill Appeal. The grant, which is secured by way of a second legal charge over the charity's freehold land and buildings, is repayable on demand in full if certain conditions are breached within a period of 15 years from the date of receipt. However as the purpose of the grant was to assist with the essential building work at the theatre, the Trustees are of the opinion that, although a contingent liability exists, the likelihood of a breach of the conditions referred to in the legal charge is extremely remote.

28 OPERATING LEASE COMMITMENTS

At 27 March 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 27 March 2011 £	28 March 2010 £	27 March 2011 £	Other 28 March 2010 £
Expiry date:				
Within 1 year	13,200	4,425	69	456
Between 2 and 5 years	-	11,000	-	806

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29 RELATED PARTY TRANSACTIONS

During the period, the charity paid £1,500 (2010 - £375) for the rent of storage facilities to J H L Puxley, a family member of D A Puxley

During the period, the charity paid £nil (2010 - £5,064) for the professional services of Carter Jonas LLP, a partnership in which P C L Griffin is a partner

30 CHARITY STATUS

The charity is limited by the guarantees of its members. The extent of each member's liability should the charity be unable to continue as a going concern, is limited to an amount not exceeding £1