

Appendix A – Further essential background / detail on the proposal

Update on Watershed's current situation in light of the Pandemic and impact on business model and capital project (provided June 2020):

“The closure of Watershed on 17 March has significantly reduced our income (by just under half). Prior to closing, our anticipated year end result was a surplus of £24,729 against a budget of £6,547 – a positive variance of £18,182. If timing differences associated with programme funding were removed, our adjusted projected position is a group surplus of £60,539 giving a positive variance of £53,992 against budget. The strong performance is almost entirely attributable to an exceptionally high level of sales in January and February across the Trading company and cinema.

We have put together an initial re-opening plan for September and are adjusting our plan as the situation changes and more information is available to us. Currently our financial projections assume no new income and that our earned income will be down by 75% when we re-open due to social distancing measures. However, indications from our audience survey with 1467 responses highlight their eagerness to return when we re-open - *“Throughout the last couple of months, Watershed have updated us regularly about what is happening and how they are looking to manage things when re-opening is allowed. They are a trusted 'brand.'”* In fact, 42% of respondents felt comfortable to return to Watershed as soon as we re-open.

Despite building closure, we have continued to engage our community and fulfil our funding obligations. Our role as lead of Film Hub South West, our team has worked closely with BFI to launch the BFI FAN COVID-19 Resilience Fund. We have also launched #shortitout, a collaboration with Depict, Encounters Film Festival, BFI Network and industry partners including Channel 4, BBC Creative and BAFTA, inviting filmmakers of every age and experience level to get involved in making 90 second films whilst in lockdown.

We are continuing to support the wider creative cluster through the Bristol and Bath Creative R&D project and we have redesigned the Data Fellowship programme (part of South West Creative Technology Network) to take place entirely online. Pervasive Media Studio continues its Lunchtime Talks programme virtually and has seen an audience of 1200 people over our past three talks.

There is clearly demand for Watershed's offer even in this crisis. Our cultural cinema programme and café/bar are vital to the Group's financial viability as demonstrated by 19/20 results so we are eager to re-open the building. We believe Phase 1 expansion is particularly relevant to adapting to pandemic requirements. Cinema 4 would provide additional capacity for income generation when seat configurations in our current cinemas have to be socially distanced and limits our capacity and income. Our plans for the café/bar expansion specifically caters to a takeaway offering. The expansion provides a more robust model for Watershed to respond to the new landscape.

We have so far raised £300,000 of cash funding, which remains ringfenced for our capital expansion project. We had originally looked at speeding up the process of financing the project work through a combination of RIF and a commercial bank loan, which we would then fundraise to re-pay. We do not believe Watershed's re-opening model would allow us to take on an additional commercial loan, so will continue to fundraise to complete the project's budget requirements, though we realise this may take longer in the current climate. We would not commence the project or draw down on the RIF loan until all funding is in place and we are able to meet all funding requirements. The ongoing sustainability of the organisation is our absolute priority and is at the core of all of our decisions.”