

Company registration number: 06147572

Charity registration number: 313612

Watts Gallery Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 March 2023

Previously known as Watts Gallery

Watts Gallery Trust

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Watts Gallery Trust

Reference and Administrative Details

Chair of Trustees	S King
Company Number	06147572
Charity Number	313612
Registered office	Down Lane Compton Guildford Surrey United Kingdom GU3 1DQ
Auditor	Azets Audit Services Limited Ashcombe Court Woolsack Way Godalming Surrey United Kingdom GU7 1LQ
Investment Advisors	CCLA Senator House 85 Queen Victoria Street London EC4V 4ET

Additional information

Additional information is available in the annual report on the website through the following link
www.wattsgallery.org.uk/our-charity/trustees/.

Watts Gallery Trust

Report of the Trustees for the Year Ended 31 March 2023

Financial Statements

The Trustees present their report and the audited financial statements of the charity for the year ended 31 March 2023. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Acts of 2011 and 2022, the Companies Act 2006, 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 2019).

Trustees

T Adair (resigned 13 June 2022)
G Anson
M Beisly (resigned 27 September 2023)
M Bowcock, CBE (resigned 26 September 2023)
D R Brenninkmeijer (appointed 26 September 2022)
D Brice (resigned 27 September 2023)
A Burtenshaw
M Holt (appointed 11 April 2022)
S K King (Chair of Trustees - appointed 29 May 2023)
M Macintyre (appointed 14 April 2022)
R Napier, DL, CBE (resigned 31 May 2022)
U D Neblett-Leigh (appointed 13 February 2023)
K C Ntumba (appointed 13 February 2023)
Dr G K Oberoi (appointed 15 May 2023)
Professor Dame M Odundo, OBE
Dr M A Rogers, CBE (resigned 15 May 2023)
F A Rutter (appointed 13 June 2023)
M Stevens (resigned 30 April 2023)

OVERVIEW:

Chair of Trustee's Statement:

The vision that Mary and George Watts had when they created Watts Gallery – that art and creativity has a role in everyone's lives is what drew me to this organisation. Now entering its 120th year, I am delighted to have been appointed Chair of Trustees and would like to take this opportunity to thank outgoing Chair MaryAnne Stevens for her dedication and support of Watts Gallery Trust as a trustee, Deputy Chair and for five and a half years, Chair of Trustees.

Watts is so much more than just an attractive gallery to display one couple's art – when taken with their home-studio, the Grade I listed Chapel and the Compton Pottery all became core components of an innovative social experiment that provided training and jobs and created in the Chapel one of the most extraordinary small buildings in the country. 'Art for All by All' is a vision in which everyone can see art and create art whether here on site or out in the community where we can create more opportunities for creativity and reach more people.

Meeting the societal need for children, young people and adults to have access to creative learning through art and nature is critical to our mission and I look forward to ensuring we empower future generations as we look to the future. I was excited to see the organisation's first performance installation Beyond the Waves, in collaboration with StopGap Dance and Disability Arts in Surrey (DAiSY), foregrounding performers' responses to G F Watts' sculptural practice. Shining a light on Mary

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Watts as an artist and designer, a visionary, and a social reformer who was ahead of her time and lived in a period when female artists faced significant barriers is particularly crucial. I was delighted by the

reimagining of the Mary Watts Gallery and Compton Gallery at Limnerslease, so as to tell her story more effectively.

Given the impact of Covid and the wider ongoing post-pandemic economic challenges in the economy, a planned deficit was forecast for this financial year as we continue through what we anticipate being a five-year recovery period. Despite the severe unexpected economic headwinds during the year, the Gallery reduced its annual core operating budget deficit from the previous year. However, market turmoil led to a decrease in the value of our investments for the year of £246,913 (as context, the value of the organisation's investments grew by £183,839 in the prior year and by £721,317 in the year to March 2021). In addition, a depreciation charge of £272,126 has impacted the overall consolidated budget deficit.

Notwithstanding the challenges facing the cultural sector and the conclusion of both a £100,000 pa four-year grant from Surrey County Council as well as a five-year Arts Council England National Portfolio Organisation funding agreement of £101,840 pa during the year, significant strides forward were achieved as the report demonstrates. With a new Board and strategy under development and a reduced deficit forecast for the year ahead, we look forward to ensure a return to a break even budget by 2025/26.

On behalf of the Trustee Board, I would like to thank staff, volunteers and supporters alike for making Watts Gallery such a vibrant part of its community.

Sarah K King, Chair of Trustees, Watts Gallery Trust

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Report of the Trustees for the Year Ended 31 March 2023

Director's Statement:

Whilst the last year has not been without significant challenges for Watts Gallery Trust as for much of the sector and country, I am grateful to the dedicated staff and volunteer teams and our supporters for enabling our organisation to achieve so much in the last year.

This year saw the successful continuation of our planned board transition, the introduction of an updated Vision and Mission and a new ten-year strategy, consisting of four objectives to support the Museum to build on its strengths and fulfil its potential.

The year saw two major restoration programmes that have considerably strengthened our visitor offer. The re-opening of Limnerslease after restoration of the house and studios following a fifteen-month closure following the fire in September 2020 was a major achievement, with the domestic interiors of the house open to all visitors for the first time in the house's history. Significant new displays and interpretation that in particular highlight the art, life and social mission of Mary Watts, traditionally under-represented, have added greatly to our offer, as has the work to return GF Watts' Great Studio. That this inspiring creative space has been returned to its original colour scheme and display, thanks to paint scrapings and archival research, it's a wonderful development.

In addition, the Sculpture Gallery was completely refurbished with new lighting, decoration, displays and interpretation, which was marked by a major exhibition *A Fragmented Legacy: G F Watts and Sculpture*. The first in-depth exploration of G F Watts' sculptural practice, the exhibition provided a compelling look at his creative practice and the way in which sculptural models and maquettes informed many of his most famous paintings. We are indebted to the Deborah Loeb Brice Foundation for making the restoration of the Sculpture Gallery possible.

Two other major programmes also sat outside our annual roster of exhibitions, collection displays, events and social impact work. The first was a significant public consultation into G F Watts' sculptural masterpiece *Physical Energy*, completed over a ten-month period by Morris Hargreaves McIntyre and Covalent Creatives. Exploring public perceptions in the UK and further afield through depth interviews with artists, academics and communities as well as staff, volunteers, supporters and visitors and those who don't currently engage with the Gallery. The consultation has provided vital context to the sculpture's complex history and a roadmap for the installation of *Physical Energy* onsite in 2024.

Alistair Burtenshaw, Brice Director & Chief Executive, Watts Gallery Trustee

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OUR GUIDING PRINCIPLES

Our Vision: Art for All by All

Our Mission: From our beautiful and inspiring setting of Watts Gallery - Artists Village, we welcome everyone to connect with the art and ideas of our founders George and Mary Watts. By caring for the collections and our environment, we advocate for the power, impact and relevance of art - onsite, online, with our community and via our international network of artists' studio museums. Our dynamic and multi-sensory programme of exploring, looking and making, takes you out of the everyday, into new encounters that invite you to view life through a different lens.

Our Values:

Dynamism: *We are an organisation with artists and creativity at its foundation, driven by the transformative power of art. We are innovative, forward-thinking and collaborative; able to respond to the challenges and opportunities ahead.*

Excellence: *We continually aim for the highest standards in everything that we do; whether providing a showcase for high quality art; continual research and in-depth scholarship; delivering innovative and experimental programmes to make and discover art and craft; or providing delicious food and exceptional customer service.*

Inclusivity: *Following in the footsteps of our founders' Art for All ethos, we care for and respect our local village community, as well as reaching out, addressing barriers, and ensuring that everyone feels welcome, respected, represented and valued.*

Responsibility: *We act as thoughtful, considerate, and consistent custodians of our estate and resources; a place where art and nature come together; our environment is at the heart of everything we do.*

Relevance: *Our exhibitions, research, and programming draw on the collection, surroundings and story of the Watts to explore and present diverse narratives relevant to all our lives in the twenty-first century.*

Welcome: *We offer a warm welcome to all visitors ensuring that the commitment, enthusiasm and energy of staff and volunteers delivers a first-class visitor experience for everyone, every day.*

Key Priorities and Achievements

Objective 1 - Our Aspiration: *To connect with, touch and inspire our wider community - defined as within a one-hour travel time.*

1. Articulate an organisation-wide workforce strategy and implement, monitor and review, as necessary to ensure staff, volunteers and trustees reflect our wider community, with training and facilities to enable this.
2. Undertake further investment in staff training and development.
3. Extend Community Forum membership, engagement, reflection and listening.

What we have done this year:

1. Commenced the development of an organisation-wide workforce strategy, with the creation of a competency framework and salary spine for all roles below the Senior Leadership Team's positions, which will in turn be reviewed and categorised in the coming year with Board input. Rolled out a volunteer charter with 98% of active volunteers having signed the charter. Continued the open recruitment of trustees based on a skills audit with four appointments during

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Report of the Trustees for the Year Ended 31 March 2023

the year: Matt Holt (Digital), Michaela MacIntyre (Audience Development), Cedric Ntumba (Treasurer) and Ulric Neblett-Leigh (Learning & Engagement). Open recruitment also commenced for the position of Chair of Trustees via Saxton Bampfylde ahead of the completion of MaryAnne Stevens' maximum term as Chair at the end of April 2023 and of an Art Historian trustee, following the impending conclusion of Dr Malcolm Rogers' first term of office. Since year-end, Sarah King has been appointed Chair of Trustees as of 29 May 2023; Frances Rutter DL has been appointed as a Trustee as of 13 June 2023 and Chair of the Property Committee; Matt Holt has taken on the position of Chair of the Trading Company; and Ulric Neblett-Leigh the role of Safeguarding Lead.

2. Further investment in staff training and development has been made through participation in the National Portrait Gallery's National Skills Sharing Partnership with twelve other organisations nationally which has included a six month paid Collections & Learning Assistant position, formal mentoring opportunities, skills sharing, conferences and exchange opportunities. In addition, a staff leadership training programme was implemented for all line managers with a first full day training session held to build line management skills with a further session held since year-end. We continue to offer Fire Safety and First Aid training across the organisation. A new Induction and Onboarding process has been implemented to support new starters.
3. Phase one of an organisation-wide job evaluation project has been completed. All roles below Senior Leadership Team (SLT) level have been graded and assigned a salary band. Salary adjustments were made to any roles that fell outside the agreed grade to ensure fair, comparable and transparent pay for staff. Phase two will include external benchmarking and agreeing a process for pay progression as well as reviewing all SLT roles.
4. A full benefits analysis and review has been undertaken to amalgamate current benefits, introduce new ones and ensure all staff to have access to a competitive benefits package. This has included introducing a Celebration Day which has been very well received by staff and increasing our paternity pay above the statutory minimum. We continue to explore additional benefits including Group Life Assurance.
5. The Community Forum, launched in the previous year, has continued to be developed with further membership recruitment, engagement, reflection and listening via four sessions, ranging from feedback on our Pre-Raphaelite Treasures exhibition, what makes a warm welcome, topics around G F Watts and empire, the shaping of and feedback on our exhibition *A Fragmented Legacy: G F Watts & Sculpture*, promotional ideas for summer footfall and brainstorming for the public programme, interpretation approaches and naming for our *Victorian Virtual Reality* exhibition and to test family interpretation and family welcome.

What we plan to do next year:

1. Ensure our workforce, leadership and governance reflect our community. Create access and career opportunities for people from all parts of society.
2. Establish current brand awareness within a one-hour travel time for 2023/24 and set goal for 2024/25 by commissioning an external perception study with a focus on the visibility of the stories of G F and Mary Watts as artists, the artists we showcase today, and the artist's village.
3. Raise brand awareness to 30% (21% within 90 minutes at Q2 2022) and track performance via an external perception study, with a focus on the visibility of the stories of G F and Mary Watts as artists, the artists we showcase today, and the artists' village.

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4. Recognise under-served communities and take action to develop and grow relationships with them including tightly focused partnership working with local and specific formal education settings and community groups, aligned to audience development objectives.
5. Enable young people to access work experience, career support, training, and paid opportunities in museums and galleries.
6. Embed Vision, Mission and Values internally (staff, volunteers, governance body).
7. Successfully conclude the board transition process including Chair, Deputy Chair and Commercial Operations Trustee & Chair of Trading Company.

Objective 2 - Our Activity: *To engage all in dynamic and creative programming*

1. Define our ambitions in research, conservation, digital engagement, collections management, outreach and learning and implement effectively, monitoring and reviewing as required.
2. Create and embed an evaluation framework (annual programme, strategy, plan and monitoring).
3. Develop a skilled and diverse workforce, in fit for purpose facilities (infrastructure): ensure that staff, volunteers and governance bodies reflect our wider community.
4. Ensure departmental collaboration to develop the annual programme via the Strategic Programming Board and Exhibition Programme Project Teams to enable co-working, sharing, mentoring, shadowing and cross-departmental working.

What we have done this year:

1. Museum Accreditation was re-secured from Arts Council England, an extensive commitment and process which included the updating of several key policies that define our approach to sharing, conserving and developing our collections.
2. Whilst our application for renewed Arts Council England National Portfolio Funding was unsuccessful, a successful Transition Funding application was made to provide equivalent funding for the first seven months of the subsequent year.
3. Significant work was undertaken by the Audience, Brand and Research Strategist to develop and roll out an evaluation framework to evidence our work, alongside plans to embed evaluation within team workloads and wider project frameworks, ensuring evaluation is captured in an appropriate and timely way.
4. Work has continued to ensure a skilled and diverse workforce, in fit for purpose facilities with work to improve the offices and infrastructure for the Trading Company on the first floor of the Compton Potters Arts Guild Building (the Pottery).
5. Recruitment best practice has been extended by the People Advisor to ensure that staff, volunteers and governance bodies reflect our wider community. The People Advisor is now tracking Diversity and Inclusion data on all applicants across all roles to map the profile of our recruitment and to use this data to inform how we might make our recruitment practices more inclusive.
6. Welcomed artist Habib Hajallie as artist-in-residence, coinciding with *Faces of Fame: G F Watts x Simon Frederick*, for a six-month period of research and development, made possible by collaboration between Learning & Engagement and Collections & Exhibitions teams, and including monthly open studio events for our visitors.
7. Departmental collaboration has been extended through the development of the Strategic Programming committee, which meets monthly, chaired by the Director to develop the annual programme, a new monthly Practical Programming group to look at detailed programme development and the development of inter-departmental workshops and sessions to ensure alignment across departments on strategic programming.
8. The Watts Contemporary Gallery developed a programme two years in advance to 2025. As part of this, we have already exhibited work by 64 living artists through the following exhibitions: *Drawing Together* (in partnership with members of the Society of Graphic Fine Art), *Creative*

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Spaces (in partnership with Liss Llewelyn), *Figure & Form: Sculpture Now, Into the Woods, In Print: Kaleidoscopic and A Sense of Place: Tom Voyce & Grace Ellen*.

What we plan to do next year:

1. Begin delivering our Collections & Exhibitions ambitions for 2023-2028 and implement effectively, monitoring and reviewing as required with the newly reformatted Collections & Strategic Programming Committee.
2. Complete the Collections Online Programme (by Q3 2023).
3. Create and embed a clear evaluation framework, including the creation of an evaluation toolkit and case study toolkit, that ensures we understand how all elements of our work are perceived, use this to inform our work and to measure the success of our work as a continuous cycle and report annually to board.
4. Design the setting for Physical Energy at Limnerslease and secure all relevant planning consents (by end of Q2 of 2023/24) and complete installation (by end of Q3 of 2024/25).
5. Scope and launch an open tender for the Physical Energy Project Curator (Artistic Programme and Inclusive Interpretation Lead), supported by Covalent Creatives (by Q1 2023/24).
6. Work collaboratively across departments from conception to delivery and ensure an ambitious annual site-wide seasonal public programme up until end of financial year 25/26 that brings together historic collection, exhibitions, contemporary artistic practice and dynamic, multi-sensory and inclusive programming and interpretation.
7. Ensure sufficient volunteer recruitment, training, and retention to cover all stewarding needs.
8. Deliver the conservation and installation of the Well Head at Limnerslease with an activity plan that engages new audiences by Q2 of 2023/24.

Objective 3 - Our Business: *To safeguard our future by attracting 100,000 visitors to the gallery (by 2032), expand our income mix, and generate enough revenue to match our ambitions, every year.*

1. Review and further develop an environmentally sustainable site-wide infrastructure masterplan that facilitates access for all; supports 100,000 visitors and enables dynamic programming and sustainable income generation.
2. Produce an outline 'costed' phased Project Implementation Programme, targeted at supporting income generation, environmental sustainability, and fundraising opportunities.
3. Establish and deliver a Fundraising Strategy (from outline, through detail and delivery) to serve the phased Project Implementation Programme.
4. Develop and implement a costed Marketing and Communication Strategy that addresses the Masterplan Delivery Programme and the 'Art for All by All' vision, carbon footprint reduction and environmental advocacy.
5. Establish a process for departmental collaboration to develop bold and ambitious seasonal programming together.
6. Undertake programming as its own dedicated income-generating focus area (e.g. evening classes, workshops, two in-house potters full time in pottery for classes, rental income from affordable multiple artists' residencies in Limnerslease and elsewhere).
7. Enable growing Trading income: regroup the various income streams into 'quick wins' and longer-term tasks; planning and executing plans accordingly; monitoring and evaluation to ensure profitability.
8. Enable growing Development income: regroup the various income streams into 'quick wins' and longer-term tasks; planning and executing plans accordingly; monitoring and evaluation to ensure profitability.
9. Renew major endowment campaign: produced and delivered by the Development department with dedicated ownership of the relationship with fund manager CCLA from Finance & Resources (overseen by the Finance Committee), to maximise income.

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What we have done this year:

1. The Sculpture Gallery has been refurbished thanks to funding from the Deborah Loeb Brice Foundation, including redecoration, new lighting, a complete redisplay of the collection, object interpretation and detailed information on the complex history of *Physical Energy*.
2. Trustees identified four locations for the siting of our bronze cast of *Physical Energy* following public consultation. These were measured against the twelve success criteria in the final report by Morris Hargreaves McIntyre and Covalent Creatives ahead of the selection of a location in the woodlands at Limnerslease and will contribute to an ecologically sustainable development of a significant portion of the estate. LDA Design was appointed as landscape architect for the project in March 2023 and worked with the internal project team to begin the RIBA Stage II designs. The remaining work to further develop an environmentally sustainable site-wide infrastructure masterplan is now scheduled for the 2023/24 financial year.
3. An outline 'costed' phased Project Implementation Programme targeted at supporting income generation, environmental sustainability, and fundraising opportunities will follow in the next year from the updating of the Masterplan.
4. Since year end, a new Fundraising Strategy has been drafted and will be updated to ensure that it serves the phased project implementation programme that will follow from the Masterplan.
5. The development and implementation of a costed Marketing and Communication Strategy that addresses the Masterplan Delivery Programme and the 'Art for All by All' vision, carbon footprint reduction and environmental advocacy was held off as a consequence of the decision to delay the updating of the Masterplan and extensive ongoing work during the year on the new website, new Customer Relationship Management (CRM) system and development of a new online and onsite ticketing platform, which will be completed in the subsequent year. The Marketing team's work continues in the interim with a focus on the three key areas of brand awareness, income generation and audience development.
6. A new Board Collections and Programming committee was approved during the year for implementation at the start of the subsequent year in addition to the further development of processes for departmental collaboration to develop bold and ambitious seasonal programming.
7. Developed and diversified income opportunities across Learning & Engagement activity; through paid school visits, new format family activities, sale of Limner Collection products, and public events. Successfully restored Public Programme Curator post with focus on income generating through ticketed activities; these include reinstating popular pottery workshops, a new 'Wellbeing at Watts' event strand, talks, evening events and music performances. A new event on sale process has been implemented to establish seasonal programmes and drive income.
8. Trading Company sales were 12% above the prior year's figures and 230% above the pandemic year's figures from 2020/21. The Trading Company net profit for the year 2022/23 was 38% below the 2021/22 figure due to the double effect of a drop in sales and significant rises in costs such as utilities.
9. The development team exceeded its target by 9%, raising £1,177,388 against a target of £1,076,924.
10. As part of a renewed major endowment campaign, a total of £154,514 was received from two legators.

What we plan to do next year:

1. Organisational sustainability plan to be enacted for the 2023/24 recovery period and rolled out across all departments.
2. Organisation-wide focus on completing roll out of Customer Relationship Management-Ticketing integration and maximising all benefits from the system together with a cross-

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- organisational focus on creating any updated compliance and business continuity frameworks that may be required including safety, GDPR and safeguarding.
3. Organisation-wide focus on creating a major venue-hire and filming income stream.
 4. Generate significant new income streams from Learning & Engagement (public programme, participation fees, fundraising/sponsorship model to cover participation fees for supported groups, maximising use of the Foyle Pottery Studio and Clore Learning Studio, etc.).
 5. Generate significant new income streams from Collections and Exhibitions (touring exhibitions, loan fees, publications, image licensing, etc.).
 6. Appoint a dedicated procurement lead within the organisation to achieve a minimum of £20,000 in savings in 2023/24, an updated procurement policy and a review of our twenty biggest Trust and Trading suppliers together with a timeline to tender their contracts.
 7. Ensure strong baseline monthly data for all utilities and appoint a green energy broker to review all utilities and sign new green agreements focused on environmental sustainability, cost and quality.
 8. Complete a quinquennial survey of the estate in Q1 of 2023/24 and implement five-year recommendations in a phased approach.
 9. Develop a long-term strategy to achieve substantial growth in membership numbers and income.
 10. Embed and extend the legacy campaign to increase the return from our investment income.
 11. Maximise investment income via regular reviews with investment fund managers CCLA and strong relationship led by the Head of Finance & Resources and overseen by the Finance Committee.
 12. Agree and roll out near-term options to further grow Trading Company profitability given inflationary cost pressures via a post-pandemic Trading Company Strategy that focuses on the evolution of our current core Trading Company activities of catering, retail and contemporary art sales with new growth areas of venue hire, filming, licensing and other opportunities.

Objective 4 - Our Audience Focus: *To enable all to enjoy Watts Gallery by listening and responding to the needs of all users*

1. Seek external perceptions of our organisation and our work.
2. Define and describe the whole site offer more effectively and deliver via new website.

What we have done this year:

1. External perceptions of our organisation and our work were sought as part of the wider research project, run jointly by Morris Hargreaves McIntyre and Covalent Creatives to inform the siting of Physical Energy, consulting with supporters, visitors, non-visitors, artists and academics.
2. Further development of the Community Forum, which is made up of a diverse range of visitors and non-visitors in our community with three new members recruited.
3. The Gallery commissioned *Beyond the Waves*, a major video installation response to the sculpture of G F Watts created in collaboration with StopGap Dance, Disability Arts in Surrey (DAiSY), choreographed by Chris Pavia and directed by Roswitha Cheshier, which was shown in the Showcase Gallery alongside the exhibition *A Fragmented Legacy: G F Watts and Sculpture*.
4. Participated in Art Fund's national Wild Escape project; engaging children from our nearest primary schools in discussions and activities exploring the wildlife and nature at Watts Gallery - Artists' Village, to connect to the national conversation.
5. Work commenced on defining and describing more effectively a whole site offer which informed the design and content of a completely new website, built by Supercool following a major tender process, as well promoting the day out offer across various channels.

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What we plan to do next year:

1. Extend understanding across the organisation of current and future visitors within a one-hour travel time.
2. Increase the Net Promoter Score to 85% (currently 84% with 1% detractors).
3. Understand and grow digital audience engagement and income wherever possible.
4. Extend, deepen and further embed Community Forum membership, engagement, reflection and listening; ensure that recommendations and their implementation, where appropriate, are actioned in a timely fashion.
5. Seek external perceptions of our organisation and our work.
6. Visitor Experience findings to be reviewed and embedded in a new Visitor Experience Strategy that enables the 'whole site offer' to be defined and described more effectively via roll-out of the visitor experience findings, including new site signage aligned to the installation of *Physical Energy* in the Limnerslease grounds.

As we reflect on all that has been achieved in such a challenging climate and our ambitions for the future, the Director, Chair and trustees would like to reiterate their thanks to the staff, volunteers and supporters who make all the organisation's work possible.

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Report of the Trustees for the Year Ended 31 March 2023

Structure and Governance

Structure

Watts Gallery Trust was established and registered as a charity in 1905. In 2008 it was incorporated as a company limited by guarantee. Watts Gallery Trading Limited is a trading subsidiary wholly owned by Watts Gallery Trust. The company is controlled by its governing document and a deed of Trust and constitutes a Company, limited by guarantee, as defined by the Companies Act 2006.

Watts Gallery Trust charitable objects as set out in the Memorandum and Article of Association are:

- To promote art for the benefit of the public by the establishment and maintenance of the Watts Art Gallery
- To advance the education of the public in the subject of art.
- To preserve for the benefit of the public the Watts Art Gallery, its grounds and other buildings associated with George Frederic and Mary Watts as buildings of historic architectural or constructional interest,

These are the objects as updated during the year and adopted by the Board of Directors/Trustees on 25 May 2022.

The Trust is governed by a board of Trustees who are also directors of the Company. The trustees meet at least four times a year and are responsible for the objectives and the strategy for the Charity and are in overall control of its management and administration. Certain management and essentially all operational functions are delegated to the Director and Senior Leadership Team.

Public Benefit

We have set out in this report the main activities undertaken by the organization in order to carry out the charity's aims for the public benefit as set out in its Memorandum. In doing so, we have had due regard to the public benefit guidance by the Charity Commission.

Trustees

The Trustees are recruited so that there is a balance of skills, qualifications and experience available to ensure that the Trust and its property are managed efficiently and knowledgeably.

All new Trustees are given a full induction including a copy of the Charity Commission booklet, 'The Essential Trustee', on the responsibilities of a Trustee and a file of essential information including policies and procedures.

Each new Trustee is appointed for an initial term of four years and may then be re-elected for further periods of four years. Trustees rotate and the Chair is appointed at the first meeting in each financial year.

Following the governance review concluded by Cause 4 in Spring 2021, new Articles were adopted and trustee recruitment reviewed. All trustees are now recruited based on specific skills, via open recruitment, based on interview with a view to best represent our community and the range of skills and experience required.

All trustees complete an annual related party transaction form in addition to the declaration of interests taken at every trustee meeting.

On 28 September 2023, new Articles were approved and adopted to allow Trustees to serve for a more suitable period of time than was previously allowed under the original Articles.

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Report of the Trustees for the Year Ended 31 March 2023

Remuneration Policy

Watts Gallery Trust is committed to paying staff a fair salary that is competitive within similar sized organisations in the charitable arts sector locally and which is proportionate to the complexity and

responsibilities of each role. Remuneration levels are linked to a regular and objective system of performance appraisal and are benchmarked against comparable local roles.

The Trustees, with recommendations from the Finance and Buildings Committee, approve any annual percentage increase for staff. When determining salaries under normal conditions, the Trustees take account of a number of factors including whether the proposed salaries are affordable within planned budgets, the need to retain suitably qualified and experienced staff and the relative responsibilities of each post.

The Director of Watts Gallery Trust is also a Trustee. The Director is eligible for a bonus, which is determined by an assessment of performance and achievement of delivery targets carried out by the Chair and Deputy Chair of the Trustees. This is reviewed and confirmed by the Finance and Building Committee.

It is our protocol that all trustees expenses be approved by the Chair of the Trustees prior to processing and payment by the charity, however a policy will be brought to the Board for consideration during the 2024 financial year.

Investment Policy

Watts Gallery Trust seeks to produce the best financial return commensurate with an acceptable level of risk. The investment objective for the reserves is to generate a return in excess of inflation over the long term whilst generating an annual income to support the ongoing activities of Watts Gallery- Artist Village. Investment management is undertaken by CCLA on a total return basis and the performance of the portfolio is regularly reviewed by the Finance and Buildings Committee. The trustees in appointing CCLA considered their ESG credentials. CCLA hold an A+ rating across all principles for responsible investment. Investment income for the year was £183,216, a decrease on the previous year (2021/2022: £226,894) and this remains a valuable source of unrestricted income.

Risk Management

The Trustees have considered the major risks to which the Charity is exposed and have reviewed those systems and procedures to manage those risks. The major risks to the Charity include a sustained drop in admissions numbers, government policies, staff and volunteer attraction and retention, reliance on fundraising income and risks associated with systems and processes.

The risk register is reviewed regularly by the Director and Senior Leadership Team, quarterly by the Finance and Buildings Committee and annually by the Trustee Board. The Trustees believe the Charity has sufficient resources to continue operating for the foreseeable future.

Financial Review

The total income for the year was £2,562,395 compared to £2,660,246 in the previous year. Income less expenditure excluding depreciation and investment losses dropped by 11% to £315,881 (2022: £356,003). There was a significant loss on revaluation of the investment assets of £246,913 (2022: £183,839 gain) and depreciation increased to £272,126 (2022: £229,322) which contributed to the deficit in net movement in funds of £834,920 (2022: £401,465). The fall in income is associated with loss of funding from Surrey County Council and Arts Council funding though these were partially offset by general donations increases and gift/tea shop activity.

Watts Gallery Trust

Report of the Trustees for the Year Ended 31 March 2023

The principal funding sources for the year included Donations of £1,177,388 (2022: £1,317,761), Trading Activities of £1,129,919 (2022: £1,008,523) and Investment Income of £255,088 (2022: £285,652). Gift Aid recovered during the year was £85,245 (2022: £42,926) as detailed in note 2.

Day to day operations of the Gallery are accounted for within the unrestricted fund. Net expenditure within the unrestricted fund of £205,400 compared to the net income seen last year of £332,084.

The income and related expenditure on capital projects is raised and recognised within the restricted funds. A deficit of £395,386 on the restricted funds occurred in the year due to costs being recognised on projects for which the income was secured and recognised in prior years.

Watts Gallery Trading Limited, a subsidiary of Watts Gallery Trust, donated £61,717 to the Charity (£80,904 in 2022).

The Charity will continue to pursue the strategy of diversifying its income streams and hence less reliance on fundraising income.

Reserves

The Directors' Policy is to aim to build up uncommitted reserves to a level equivalent to 3 - 6 months current running costs (£719,569 - 2023, £754,130 - 2022). This is in order to safeguard and underwrite Watts Gallery's continuing activities and meet its contractual obligations in the event of a reduction in income.

Watts Gallery Trust holds three categories of funds; restricted funds which are donations received by the charity where the purpose for which they can be used is determined by the donor (See note 22) and endowment funds which are either expendable or permanent. While the permanent endowments consist mainly of the value of the permanent collection of art works, the expendable endowments are used primarily to generate further income to support the Gallery's costs.

As at 31 March 2023 Watts Gallery Trust had consolidated total funds of £38,873,682 (2022: £39,708,602) of which £1,477,071 were unrestricted funds, £9,213,870 were restricted funds and £28,182,741 held in endowments (which includes the collection valued at £22,790,776).

The unrestricted funds are made up of £1,219,834 in freehold land, buildings and tangible assets and £310,570 of free reserves (2022: £959,185). This level of free reserve represents approximately four months current operating costs.

The charity will, as a matter of urgency, consider a drawdown of some funds from its investment portfolio to cover the shortfall in unrestricted funds while pursuing other strategies to grow its income.

Watts Gallery Trust

Statement of Trustees' Responsibilities

The trustees (who are also directors of Watts Gallery Trust for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company 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 2019 (FRS 102);
- 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;
- 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.

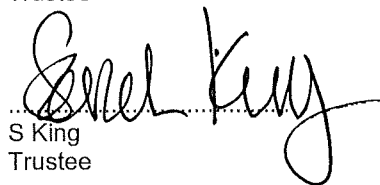
In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the trustees of the charity on 26.11.2023 and signed on its behalf by:



A Burtenshaw
Trustee



S King
Trustee

Watts Gallery Trust

Independent Auditor's Report to the Members of Watts Gallery Trust

Opinion

We have audited the financial statements of Watts Gallery Trust (the 'charitable parent company') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Cash Flows 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 United Kingdom Accounting Standards, including Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable parent company's affairs as at 31 March 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Watts Gallery Trust

Independent Auditor's Report to the Members of Watts Gallery Trust

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' 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 and sufficient accounting records have not been kept by the charitable parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable parent 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 Statement of Trustees' Responsibilities (set out on page 15), the trustees 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's and the charitable parent 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 the charitable parent company or to cease operations, or have no realistic alternative but to do so.

Watts Gallery Trust

Independent Auditor's Report to the Members of Watts Gallery Trust

Auditor's responsibilities for the audit of the financial statements

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charitable parent company and industry, we identified that the physical risk of non-compliance with laws and regulations related to breaches of health and safety and employee laws and regulations. We also obtained an understanding of the legal and regulatory frameworks that the charitable parent company operates in, focusing on those that had a direct effect on material figures and disclosures in the financial statements, the main regulations considered in this context included the UK Companies Act 2006 and the Charities Act 2011.

We evaluated the incentives and opportunities for fraud in the financial statements, including, but not limited to, the risk of override of controls and designed procedures in response to these risks as follows;

- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and;
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above, and the risk of not detecting a material misstatement due to fraud is higher than one resulting from error as fraudulent misstatements may involve deliberate concealment.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Watts Gallery Trust

Independent Auditor's Report to the Members of Watts Gallery Trust

Use of our report

This report is made solely to the charitable parent company's trustees, 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 group's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable parent company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

.....
Debra Saunders FCA, BSc (Hons) (Senior Statutory Auditor)
For and on behalf of Azets Audit Services Limited, Statutory Auditor

Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

22 November 2023
Date:.....

Watts Gallery Trust

Consolidated Statement of Financial Activities for the Year Ended 31 March 2023 (Including Consolidated Income and Expenditure Account)

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2023 £	Total 2022 £
Income and Endowments from:						
Donations	2	977,388	200,000	-	1,177,388	1,317,761
Trading activities	3	1,129,919	-	-	1,129,919	1,008,523
Investment income	4	246,470	-	8,618	255,088	285,652
Other income	5	-	-	-	-	48,310
Total income		2,353,777	200,000	8,618	2,562,395	2,660,246
Expenditure on:						
Raising funds and trading costs	6	(976,100)	-	-	(976,100)	(909,728)
Charitable activities	7	(1,583,077)	(591,225)	-	(2,174,302)	(2,335,843)
Total expenditure		(2,559,177)	(591,225)	-	(3,150,402)	(3,245,571)
Net income/(expenditure) before gains/(losses) on investment assets		(205,400)	(391,225)	(8,618)	(588,007)	(585,325)
Gains/(losses) on investment assets		-	(36,716)	(210,197)	(246,913)	183,839
Net income/(expenditure)		(205,400)	(427,941)	(201,579)	(834,920)	(401,486)
Other recognised gains and losses						
Other gains/losses		-	-	-	-	21
Net movement in funds		(205,400)	(427,941)	(201,579)	(834,920)	(401,465)
Reconciliation of funds						
Total funds brought forward		1,682,471	9,641,811	28,384,320	39,708,602	40,110,067
Total funds carried forward	22	1,477,071	9,213,870	28,182,741	38,873,682	39,708,602

Watts Gallery Trust

Consolidated Statement of Financial Activities for the Year Ended 31 March 2022 (Including Consolidated Income and Expenditure Account)

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2022 £	Total 2021 £
Income and Endowments from:						
Donations	2	1,251,056	15,557	51,148	1,317,761	1,932,375
Trading activities	3	1,008,523	-	-	1,008,523	345,471
Investment income	4	274,979	-	10,673	285,652	301,346
Other income	5	48,310	-	-	48,310	371,501
Total income		2,582,868	15,557	61,821	2,660,246	2,950,693
Expenditure on:						
Raising funds and trading costs	6	(909,728)	-	-	(909,728)	(656,878)
Charitable activities	7	(2,005,224)	(330,619)	-	(2,335,843)	(2,224,270)
Total expenditure		(2,914,952)	(330,619)	-	(3,245,571)	(2,881,148)
Net income/(expenditure) before gains/(losses) on investment assets		(332,084)	(315,062)	61,821	(585,325)	69,545
Gains/(losses) on investment assets		-	27,337	156,502	183,839	721,317
Net income/(expenditure)		(332,084)	(287,725)	218,323	(401,486)	790,862
Other recognised gains and losses						
Other gains/losses		21	-	-	21	31,747
Net movement in funds		(332,063)	(287,725)	218,323	(401,465)	822,609
Reconciliation of funds						
Total funds brought forward		2,014,534	9,929,536	28,165,997	40,110,067	39,287,458
Total funds carried forward	22	1,682,471	9,641,811	28,384,320	39,708,602	40,110,067

All of the group's activities derive from continuing operations during the above two periods.

The funds breakdown for 2023 and 2022 are shown in note 22.

Watts Gallery Trust

(Registration number: 06147572)

Consolidated Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets - Land and buildings	13	7,448,153	7,586,951
Tangible assets - Plant and equipment	13	342,300	286,723
Heritage assets - Collection	14	22,765,564	22,765,564
Investment properties	15	763,840	763,840
Listed investments	15	6,278,075	6,524,988
		<u>37,597,932</u>	<u>37,928,066</u>
Current assets			
Stocks		104,499	95,563
Debtors	16	131,801	234,675
Cash - restricted		1,202,814	924,006
Cash - unrestricted		284,033	958,491
		<u>1,723,147</u>	<u>2,212,735</u>
Creditors: Amounts falling due within one year	17	<u>(257,264)</u>	<u>(222,066)</u>
Net current assets		<u>1,465,883</u>	<u>1,990,669</u>
Total assets less current liabilities		<u>39,063,815</u>	<u>39,918,735</u>
Creditors: Amounts falling due after more than one year	18	<u>(190,133)</u>	<u>(210,133)</u>
Net assets	23	<u>38,873,682</u>	<u>39,708,602</u>
Funds of the group:			
Endowment funds		<u>28,182,741</u>	<u>28,384,320</u>
Restricted funds		<u>9,213,870</u>	<u>9,641,811</u>
Unrestricted income funds			
General funds		<u>1,477,071</u>	<u>1,682,471</u>
Total unrestricted funds		<u>1,477,071</u>	<u>1,682,471</u>
Total funds	22	<u>38,873,682</u>	<u>39,708,602</u>

The financial statements on pages 20 to 54 were approved by the trustees and authorised for issue on ~~26.12.2023~~ and signed on their behalf by:



 A Burtenshaw
 Trustee



 S King
 Trustee

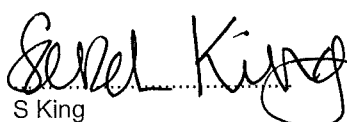
Watts Gallery Trust

(Registration number: 06147572)
Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets - Land and buildings	13	7,448,153	7,586,951
Tangible assets - Plant and equipment	13	278,241	208,234
Heritage assets - Collection	14	22,765,564	22,765,564
Investment properties	15	763,840	763,840
Shares in group undertakings and participating interests	15	1	1
Listed investments	15	6,278,075	6,524,988
		<u>37,533,874</u>	<u>37,849,578</u>
Current assets			
Debtors	16	260,156	364,514
Cash - restricted		1,202,814	924,006
Cash - unrestricted		192,879	845,926
		<u>1,655,849</u>	<u>2,134,446</u>
Creditors: Amounts falling due within one year	17	<u>(179,242)</u>	<u>(138,623)</u>
Net current assets		<u>1,476,607</u>	<u>1,995,823</u>
Total assets less current liabilities		<u>39,010,481</u>	<u>39,845,401</u>
Creditors: Amounts falling due after more than one year	18	<u>(136,800)</u>	<u>(136,800)</u>
Net assets	23	<u>38,873,681</u>	<u>39,708,601</u>
Funds of the charity:			
Endowment funds		<u>28,182,741</u>	<u>28,384,320</u>
Restricted funds		<u>9,213,870</u>	<u>9,641,811</u>
Unrestricted income funds			
General funds		<u>1,477,070</u>	<u>1,682,470</u>
Total unrestricted funds		<u>1,477,070</u>	<u>1,682,470</u>
Total funds	22	<u>38,873,681</u>	<u>39,708,601</u>

The financial statements on pages 20 to 54 were approved by the trustees and authorised for issue on ~~26.11.2023~~ and signed on their behalf by:


A Burtenshaw
Trustee


S King
Trustee

Watts Gallery Trust

Consolidated Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Net cash income/(expenditure)		(834,920)	(401,465)
Adjustments to cash flows from non-cash items			
Depreciation	9	272,126	229,322
Investment income	4	(255,088)	(285,652)
(Gain)/loss on investments	15	246,913	(188,885)
		<u>(570,969)</u>	<u>(646,680)</u>
Working capital adjustments			
(Increase)/decrease in stocks		(8,936)	8,227
(Increase)/decrease in debtors	16	102,875	7,487
Increase/(decrease) in creditors	17	35,198	(43,509)
Net cash flows from operating activities		<u>(441,832)</u>	<u>(674,475)</u>
Cash flows from investing activities			
Interest receivable and similar income	4	2,682	458
Purchase of tangible fixed assets	13	(188,906)	(22,292)
Purchase of investments	15	-	(6,586,368)
Sale of investments	15	-	6,433,289
Income from fixed asset investments	4	252,406	285,194
Net cash flows from investing activities		<u>66,182</u>	<u>110,281</u>
Cash flows from financing activities			
Repayment of bank loans	18	(20,000)	(6,667)
Net cash flows from investing activities		<u>(20,000)</u>	<u>(6,667)</u>
Net (decrease)/increase in cash and cash equivalents		(395,650)	(570,861)
Cash and cash equivalents at 1 April 2022		<u>1,882,497</u>	<u>2,453,357</u>
Cash and cash equivalents at 31 March 2023		<u><u>1,486,847</u></u>	<u><u>1,882,496</u></u>

All of the cash flows are derived from continuing operations during the above two periods.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

Watts Gallery Trust is a company limited by guarantee, incorporated in England. The registered office is Watts Gallery Trust, Down Lane, Compton, Guildford, Surrey, GU3 1DQ. The nature of the charity's operations is set out in the Report by the Trustees.

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 issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

Basis of preparation

Watts Gallery Trust 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 notes.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the charity and its subsidiary undertaking drawn up to 31 March 2023.

No Statement of Financial Activities is presented for the charity as permitted by section 408 of the Companies Act 2006. For the financial year ending 31 March 2023 the charity generated a deficit of £205,394 (2022 - deficit of £332,063) on unrestricted funds related to the Gallery's operating activities and a deficit of £627,527 (2022 - deficit of £69,402) on restricted and endowment funds related to specific projects or purposes. This results in a net deficit of £834,921 for the financial year (2022 - deficit of £401,465).

A subsidiary is an entity controlled by the charity. Control is achieved where the charity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiary, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

(Continued)

Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The trustees consider that there are no material uncertainties about the group's ability to continue as a going concern nor any significant areas of uncertainty that affect the carrying value of assets held by the group.

Income and endowments

All income is recognised once the Group has entitlement to the income, it is probable that the income will be received and the amount of the income receivable can be measured reliably.

Donated goods are recognised as income, provided the above conditions are met, at their estimated fair value.

Voluntary donations are recognised in the period in which they are received.

Income from trading activities is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The point of recognition is on the date that goods are provided to customers or the period over which services are provided.

Investment income is recognised based on the date the group is entitled to the income.

Grants receivable

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants are recognised in the comparative period in relation to the Coronavirus Job Retention Scheme and other Council grants.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Donated services

Donated services are included as income at value to the charity and as resources expended at the same value.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

(Continued)

Raising funds

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs are allocated against the respective activity concerned. Costs are apportioned to various cost centres and funds based on management's best estimates of expenditure incurred for each.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Heritage assets

Watts Gallery Trust has a collection of heritage assets which is held in support of the Gallery's primary objective of increasing knowledge, understanding and appreciation of George Frederic Watts and Mary Seton Watts.

A very significant proportion of these assets are inalienable. The collection comprises of over 250 paintings and over 800 drawings by G F Watts as well as over 500 pieces of sculpture, many by G F Watts and the remaining plaster casts (anonymous) from his studio. There are many items of Compton pottery including pieces by Mary Watts herself. In addition, there is a large archive including the Rob Dickins collection of photographs. A very significant proportion of the collection is available to view via a collections management database.

Additions to the collection are made by purchase or donation. Purchases are initially recorded at cost and donations at their estimated value. Heritage assets are periodically revalued in line with insurance valuations carried out by external valuers and based on commercial markets. The Trustees do not believe that obtaining more frequent valuations would warrant the utilisation of charitable resources.

The heritage assets are represented by a permanent endowment fund, which has been fully invested in the collection.

The assets are deemed to have an indeterminate life and a high residual value and therefore the Trustees do not consider it appropriate to charge depreciation. Although the non depreciation of this asset is not in accordance with the Companies Act 2006, the Trustees believe that this departure is necessary in order to provide a true and fair view.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

(Continued)

Tangible fixed assets

All classes of tangible fixed assets are recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Land and buildings	2% on cost
Computers, fixtures & fittings	10%-33% on cost
Motor vehicles	15% on cost
Plant & equipment	10% on cost

Investment properties

Investment property is shown at the most recent market valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to the statement of financial activities. Valuations are considered periodically by the Trustees.

Fixed asset investments

Fixed asset investments are included at market value at the balance sheet date. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the year end.

Stock

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell, after due regard for obsolete and slow moving stocks. Cost is determined using the first-in, first-out (FIFO) basis of valuation.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of financial activities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

(Continued)

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Fund structure

Unrestricted income funds are general funds that are available for use at the trustees' discretion in furtherance of the objectives of the Group.

Designated funds are unrestricted funds set aside for specific purposes at the discretion of the trustees.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Pensions and other post retirement obligations

Contributions payable by the Group to an individual's personal pension scheme are charged to the statement of financial activities in the period to which they relate.

Financial instruments

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Summary of significant judgements and key accounting estimates

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

(Continued)

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Depreciation of tangible fixed assets

Depreciation is based upon the expected useful economic life of assets. This requires judgements to be made by the trustees and, being an estimate, the actual useful lives of these assets may vary between asset category and based on the nature of the asset. Reviews of these policies are performed annually to ensure that the depreciation methods used are appropriate for each class of tangible fixed asset.

Investment property

Valuation of investment property is on the basis of the periodic, independent valuations of an expert. Trustees review the need for revaluation on an annual basis. Any gains or losses following each independent valuation are charged through the Statement of Financial Activities.

Heritage assets

Valuation of heritage assets are on the basis of the periodic, independent valuations of an expert. Trustees review the need for revaluation on an annual basis. Any gains or losses following each independent valuation are charged through the Statement of Financial Activities.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

2 Income from donations

	Unrestricted funds £	Restricted funds £	Total 2023 £	Total 2022 £
Donations;				
Patrons and Friends	102,848	-	102,848	99,205
General Donations	684,755	200,000	884,755	769,381
Gift aid reclaimed	85,245	-	85,245	42,926
Grants, including capital grants;				
Surrey County Council	-	-	-	100,000
Arts Council - National Portfolio Organisations	104,540	-	104,540	101,840
Arts Council - Culture Recovery Fund Round 1	-	-	-	204,409
	<u>977,388</u>	<u>200,000</u>	<u>1,177,388</u>	<u>1,317,761</u>

£977,388 (2022 - £1,251,056) of the above income was attributable to unrestricted funds and £200,000 (2022 - £66,705) to restricted funds.

3 Income from trading activities

	Unrestricted funds £	Total 2023 £	Total 2022 £
Trading income:			
Admissions	167,720	167,720	165,523
Tours of Gallery	17,954	17,954	5,948
Sales of goods and services	909,255	909,255	812,909
Learning, events and other income	34,990	34,990	24,143
	<u>1,129,919</u>	<u>1,129,919</u>	<u>1,008,523</u>

All of the above income for 2023 and 2022 was attributable to unrestricted funds.

4 Investment income

	Unrestricted funds £	Endowment funds £	Total 2023 £	Total 2022 £
Income from dividends:				
Dividends receivable from listed investments	174,598	8,618	183,216	226,894
Interest receivable and similar income:				
Interest receivable	2,682	-	2,682	458
Income from rents	69,190	-	69,190	58,300
	<u>246,470</u>	<u>8,618</u>	<u>255,088</u>	<u>285,652</u>

£246,470 (2022 - £274,979) of the above income was attributable to unrestricted funds and £8,618 (2022 - £10,673) to restricted funds.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

5 Other income

	Total 2023 £	Total 2022 £
Government grants including furlough income	-	48,310
	<u>-</u>	<u>48,310</u>

All of the above income for 2023 and 2022 was attributable to unrestricted funds.

6 Expenditure on raising funds and trading costs

	Direct costs £	Total 2023 £	Total 2022 £
Costs of generating donations	128,562	128,562	148,681
Costs of trading activities	847,538	847,538	756,397
Investment management costs	-	-	4,650
	<u>976,100</u>	<u>976,100</u>	<u>909,728</u>

a) Costs of generating donations

	Total 2023 £	Total 2022 £
Staff Costs	128,562	145,311
Patrons and Friends costs	-	3,370
	<u>128,562</u>	<u>148,681</u>

All of the above expenditure for 2023 and 2022 was attributable to unrestricted funds.

b) Costs of trading activities

	Total 2023 £	Total 2022 £
Trading subsidiary staff costs	454,410	400,721
Trading subsidiary costs	393,128	355,676
	<u>847,538</u>	<u>756,397</u>

All of the above expenditure for 2023 and 2022 was attributable to unrestricted funds.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

6 Expenditure on raising funds and trading costs

(Continued)

c) Investment management costs

	Unrestricted funds £	Total 2023 £	Total 2022 £
Administration of the investments	-	-	4,650
	-	-	4,650

7 Expenditure on charitable activities

	Activity undertaken directly £	Activity support costs £	Total 2023 £	Total 2022 £
Maintaining Watts Gallery and its collection	1,555,976	292,496	1,848,472	2,117,455
Great Studio Project	101,210	20,000	121,210	107,231
Limnerslease Project	2,705	30,000	32,705	12,705
Chapel Restoration Fund	4,623	40,331	44,954	20,112
Physical Energy Fund	96,961	30,000	126,954	78,340
	1,761,475	412,827	2,174,302	2,335,843

£1,583,077 (2022 - £2,005,224) of the above expenditure was attributable to unrestricted funds and £591,225 (2022 - £330,619) to restricted funds.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

8 Analysis of support costs

Support costs allocated to charitable activities

	Activity undertaken directly £	Activity support costs £	Total 2023 £	Total 2022 £
Maintaining Watts Gallery and its collection	145,008	29,697	174,705	186,380
Great Studio Project	-	20,000	20,000	20,000
Limnerslease Project	-	30,000	30,000	10,000
Chapel Restoration Fund	-	20,000	20,000	20,000
Other Restricted Project Management		20,000	20,000	-
Physical Energy Fund	-	30,000	30,000	30,000
	<u>145,008</u>	<u>149,697</u>	<u>294,705</u>	<u>266,380</u>

Governance costs

	Unrestricted funds £	Restricted funds £	Total 2023 £	Total 2022 £
Audit of financial statements	14,250	-	14,250	11,250
Accountancy, consultancy and legal fees	130,758	-	130,758	10,302
	<u>145,008</u>	<u>-</u>	<u>145,008</u>	<u>21,552</u>

Other support costs

	Unrestricted funds £	Restricted funds £	Total 2023 £	Total 2022 £
Project management	-	120,000	120,000	80,000
Office expenses	12,218	-	12,218	92,235
Telephone	18,203	-	18,203	15,102
Insurances	64,273	-	64,273	56,340
Travel and subsistence	5,300	-	5,300	1,151
	<u>99,994</u>	<u>120,000</u>	<u>219,994</u>	<u>244,828</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

9 Net Income/(Expenditure)

Net income/(expenditure) are stated after charging:

	2023 £	2022 £
Audit fees	14,250	11,250
Depreciation of fixed assets	272,126	229,322

10 Trustees' remuneration and expenses

During the year the group made the following transactions with trustees:

A Burtenshaw

A Burtenshaw received total remuneration of £108,174 (2022: £104,380) during the year. This included bonus payments for achieving his target in 2019 and 2020 but was not paid at the time due to the Covid-19 pandemic.

Legal authority has been obtained to employ and remunerate Mr A Burtenshaw at a market rate as Director of the Charity.

During the year expenses of the following nature were paid to 1 (2022: 1) trustee:

	2023 £	2022 £
Travel and subsistence	6,735	992
Entertaining	114	34
Sundry	120	211
	6,969	1,237

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

11 Staff costs

The aggregate payroll costs were as follows:

	2023 £	2022 £
Wages and salaries	1,466,490	1,380,000
Social security costs	121,061	110,090
Pension costs	32,829	31,911
	<u>1,620,380</u>	<u>1,522,001</u>

The monthly average number of persons (including senior management team) employed by the group during the year was as follows:

	2023 No	2022 No
Tea shop	23	22
Shop	13	10
Commercial gallery	3	3
Management	6	1
Curatorial	1	9
Learning	16	11
Marketing and fundraising	8	9
Finance, estates and administration	11	13
	<u>81</u>	<u>78</u>

The staff full time equivalents were 51 this year (2022: 52).

One employee received emoluments of more than £60,000 during the year (2022: One). The number of employees whose emoluments fell within the following bands was:

	2023 No	2022 No
£100,001 - £110,000	1	1

The total employee benefits of the key management personnel of the group were £210,264 (2022 - £204,190).

12 Taxation

The company is a registered charity and is therefore exempt from taxation. Tax relief represents claims submitted prior to the year end for Museums and Galleries Exhibition tax relief.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

13 Tangible fixed assets

Group

	Land and buildings £	Plant & equipment £	Total £
Cost			
At 1 April 2022	8,884,625	2,602,306	11,486,931
Additions	-	188,906	188,906
At 31 March 2023	8,884,624	2,791,212	11,675,836
Depreciation			
At 1 April 2022	1,297,674	2,315,583	3,613,257
Charge for the year	138,797	133,329	272,126
At 31 March 2023	1,436,471	2,448,912	3,885,383
Net book value			
At 31 March 2023	7,448,153	342,300	7,790,453
At 31 March 2022	7,586,951	286,723	7,873,674

Charity

	Land and buildings £	Plant & equipment £	Total £
Cost			
At 1 April 2022	8,884,624	2,406,384	11,291,008
Additions	-	188,906	188,906
At 31 March 2023	8,884,624	2,595,290	11,479,914
Depreciation			
At 1 April 2022	1,297,674	2,198,150	3,495,824
Charge for the year	138,797	118,899	257,696
At 31 March 2023	1,436,471	2,317,049	3,753,520
Net book value			
At 31 March 2023	7,448,153	278,241	7,726,394
At 31 March 2022	7,586,950	208,234	7,795,185

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

14 Heritage assets

Group and Charity

	Total £
Cost	
At 1 April 2022	22,765,564
Depreciation	
At 31 March 2023	-
Net book value	
At 31 March 2023	<u>22,765,564</u>

Summary of transaction

The value of additions in the five years prior to the year end date of 31 March 2023 totalled £13,000, all of which were in 2019.

Revaluations

Heritage assets were last revalued in 2012 by Christies at current auction estimates.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

15 Fixed asset investments

Group and charity

Investment properties

	Investment properties £
Cost or Valuation	
At 1 April 2022	<u>763,840</u>
Provision	
At 31 March 2023	<u>-</u>
Net book value	
At 31 March 2023	<u>763,840</u>
At 31 March 2022	<u>763,840</u>

Investment properties were valued by Batcheller Monkhouse in the year ended 31 March 2011. In subsequent years the values have been considered against market conditions by the Trustees and the costs of further improvements have been added.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

15 Fixed asset investments

(Continued)

Group and charity

Listed investments

	Listed investments £
Cost or Valuation	
At 1 April 2022	6,524,988
Revaluations	(246,913)
Additions	-
Disposals	-
At 31 March 2023	<u>6,278,075</u>
Net book value	
At 31 March 2023	<u>6,278,075</u>
At 31 March 2022	<u>6,524,988</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

15 Fixed asset investments

(Continued)

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 April 2022	1	1
At 31 March 2023	1	1
Net book value		
At 31 March 2023	1	1
At 31 March 2022	1	1

Details of undertakings

Details of the investments in which the charity holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held		Principal activity
			2023	2022	
Subsidiary undertakings					
Watts Gallery Trading Limited	England and Wales	Ordinary	100%	100%	Gift shop and tea shop

The company registration number of Watts Gallery Trading Limited is 07184982. The registered office address is:

Down Lane
Compton
Guildford
Surrey
GU3 1DQ

The profit for the period of Watts Gallery Trading Limited was £61,717 (2022: £100,200) and the aggregate amount of capital and reserves at the end of the period was £1 (2022: £1).

The profit for the year for Watts Gallery Trading Limited is stated after making a distribution of profits to Watts Gallery Trust of £67,717 (2022 - £80,904).

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

16 Debtors

	Group		Charity	
	2023 £	2022 £	2023 £	2022 £
Trade debtors	8,593	19,148	6,833	18,975
Due from group undertakings	-	-	138,073	131,785
Prepayments	3,000	11,067	3,000	11,067
Other debtors	120,208	204,460	112,250	202,687
	<u>131,801</u>	<u>234,675</u>	<u>260,156</u>	<u>364,514</u>

17 Creditors: amounts falling due within one year

	Group		Charity	
	2023 £	2022 £	2023 £	2022 £
Bank loans	20,000	20,000	-	-
Trade creditors	156,388	108,598	123,182	70,923
Other taxation and social security	-	-	-	-
Other creditors	25,244	13,356	24,088	13,032
Accruals	55,632	80,112	31,972	54,668
	<u>257,264</u>	<u>222,066</u>	<u>179,242</u>	<u>138,623</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

18 Creditors: amounts falling due after one year

	Group		Charity	
	2023 £	2022 £	2023 £	2022 £
Bank loans	53,333	73,333	-	-
Other loans	136,800	136,800	136,800	136,800
	<u>190,133</u>	<u>210,133</u>	<u>136,800</u>	<u>136,800</u>

Included in bank loans is a £73,333 (2022 - £93,333) Coronavirus Business Interruption Loan with a nominal interest rate of 2.21% per annum. The loan term is 5 years to November 2026.

Included in other loans is £136,800 (2022 - £136,800) secured on the Charity bank account. The repayment date is 15 May 2024. No interest is charged on the loan unless the Charity fails to make any payment due under the agreement, in which case interest is charged at 7% from the date of non-payment to the date of repayment.

19 Obligations under leases and hire purchase contracts

The total value of future minimum lease payments was as follows:

	Group		Charity	
	2023 £	2022 £	2023 £	2022 £
Within one year	14,591	13,939	14,591	13,939
In two to five years	26,461	41,052	26,461	41,052
	<u>41,052</u>	<u>54,991</u>	<u>41,052</u>	<u>54,991</u>

20 Charity status

The Charity is a company limited by guarantee and consequently does not have share capital.

21 Contingent liabilities

The Trustees of the National Heritage Memorial Fund hold a charge, by way of legal mortgage over The Great Studio, Limnerslease, as a continuing security for all monies, obligations and liabilities under the Grant Contract.

The Council of the Borough of Guildford hold a second charge, by way of legal mortgage, over The Great Studio, Limnerslease as a continuing security for non-repayable loans recognised as donations in 2017.

Surrey County Council holds a charge, by way of a legal mortgage, over the property known as Limnerslease. The charge acts as continuing security for a grant repayable under certain circumstances and was agreed as a condition of the donation to the Charity in 2017.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

Restricted funds

Gallery Restoration fund - This fund represents the investment in the restored Watts Gallery building following the Hope project. The ongoing non-cash cost is the depreciation of the restored assets.

Limnerslease and Great Studio Funds - These funds were established to acquire and preserve the Watts' home and studios and consist of the acquisition costs and investment made in those properties, in addition to an element of cash.

Other - These funds are for the support of the learning programmes at Watts Gallery - Artists' Village and other further development projects. These funds all consist of cash.

Graham Robertson Trust Fund - This fund is invested in the Pottery Building.

Great Studio Project and Limnerslease - These funds were established to acquire and preserve the Watts' home and studios and consist of the acquisition costs and investment made in those properties, in addition to an element of cash.

Chapel Restoration Fund - This fund has been established for the preservation and restoration of the Watts Chapel and Cemetery. This fund consists of cash.

Physical Energy Fund - This fund has been established to site a posthumous cast of Watts' iconic sculpture Physical Energy in Compton including appropriate landscaping and interpretation. This fund currently consists of cash.

Endowment funds

The Collection - This fund represents the value of the Watts Gallery collection of heritage assets. This is a permanent endowment fund and represents paintings and other collection items.

Mrs M S Watts Will Trust Fund - This fund was set up through the will of Mary Watts and is now part of the permanent endowment which provides ongoing financial support for the Watts Gallery Trust. The fund is represented by investments and cash and only the income generated by the assets can be spent. The capital in this fund can never be spent.

Watts Gallery Permanent Endowment Fund - This is a permanent endowment fund to generate income to help provide financial security for the Gallery's future. The fund is represented by investments and cash and only the income generated by the assets can be spent. The capital in this fund can never be spent.

Catalyst Endowment - This is a permanent endowment fund which was established with the generosity of the Heritage Lottery Fund and a number of private donors. This fund generates income to help provide financial security for the Gallery's future. The fund is represented by investments and cash and only the income generated by the assets can be spent. The capital in this fund can never be spent.

Watts Gallery Expendable Endowment Fund - This is an expendable endowment fund consisting of quoted investments and cash. The income from the fund helps to provide financial security for the gallery's future.

G F Watts Book Fund - This expendable fund was established to support the Watts Gallery - Artists' Village archive and consists of quoted investments and cash. Both the capital and income can be spent.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

Group	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2023 £
Unrestricted funds						
Watts Gallery	1,682,471	2,353,777	(2,679,177)	120,000	-	1,477,041
Designated						
Watts Gallery	-	-	-	-	-	-
Total unrestricted funds	<u>1,682,471</u>	<u>2,353,777</u>	<u>(2,679,177)</u>	<u>120,000</u>	<u>-</u>	<u>1,477,071</u>
Restricted funds						
Gallery Restoration Fund	3,790,941	-	(96,961)	-	-	3,693,980
Graham Robertson Trust Fund	75,642	-	-	-	-	75,642
Other	120,260	200,000	(245,394)	(20,000)	-	54,866
Great Studio Project	2,999,715	-	(101,210)	(20,000)	(36,716)	2,841,789
Limnerslease	1,932,018	-	(2,705)	(30,000)	-	1,899,313
Chapel Restoration Fund	79,803	-	-	(20,000)	-	59,803
Physical Energy Fund	643,432	-	(24,955)	(30,000)	-	588,477
Total restricted funds	<u>9,641,811</u>	<u>200,000</u>	<u>(471,225)</u>	<u>(120,000)</u>	<u>(36,716)</u>	<u>9,213,870</u>
Endowment funds						
Permanent						
Mrs M S Watts Will Trust	427,453	-	-	-	(16,247)	411,206
Watts Gallery Permanent Endowment	3,320,716	-	-	-	(128,370)	3,192,346
Collection	22,790,776	-	-	-	-	22,790,776
Catalyst Endowment	1,095,609	8,618	-	-	(38,716)	1,065,511
	<u>27,634,554</u>	<u>8,618</u>	<u>-</u>	<u>-</u>	<u>(183,333)</u>	<u>27,459,839</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2023 £
Expendable						
G F Watts Book Fund	3,937	-	-	-	-	3,937
Watts Gallery Expendable Endowment	745,829	-	-	-	(26,864)	718,965
	<u>749,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,864)</u>	<u>722,902</u>
 Total endowment funds	 28,384,320	 8,618	 -	 -	 (210,197)	 28,182,741
Total funds	<u>39,708,602</u>	<u>2,562,395</u>	<u>(3,150,402)</u>	<u>-</u>	<u>(246,913)</u>	<u>38,873,682</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2021 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2022 £
Unrestricted funds						
Watts Gallery	1,574,534	2,582,868	(2,914,952)	440,000	21	1,682,471
Designated						
Watts Gallery	440,000	-	-	(440,000)	-	-
Total unrestricted funds	<u>2,014,534</u>	<u>2,582,868</u>	<u>(2,914,952)</u>	<u>-</u>	<u>21</u>	<u>1,682,471</u>
Restricted funds						
Gallery Restoration Fund	3,887,903	-	(96,962)	-	-	3,790,941
Graham Robertson Trust Fund	75,642	-	-	-	-	75,642
Other	120,885	14,643	(15,268)	-	-	120,260
Great Studio Project	3,079,610	-	(107,232)	-	27,337	2,999,715
Limnerslease	1,944,723	-	(12,705)	-	-	1,932,018
Chapel Restoration Fund	99,001	914	(20,112)	-	-	79,803
Physical Energy Fund	721,772	-	(78,340)	-	-	643,432
Total restricted funds	<u>9,929,536</u>	<u>15,557</u>	<u>(330,619)</u>	<u>-</u>	<u>27,337</u>	<u>9,641,811</u>
Permanent						
Mrs M S Watts Will Trust	415,356	-	-	-	12,097	427,453
Watts Gallery Permanent Endowment	3,225,139	-	-	-	95,577	3,320,716
Collection	22,790,776	-	-	-	-	22,790,776
Catalyst Endowment	1,056,110	10,673	-	-	28,826	1,095,609
	<u>27,487,381</u>	<u>10,673</u>	<u>-</u>	<u>-</u>	<u>136,500</u>	<u>27,634,554</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2021 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2022 £
Expendable						
G F Watts Book Fund	3,937	-	-	-	-	3,937
Watts Gallery Expendable Endowment	674,679	51,148	-	-	20,002	745,829
	678,616	51,148	-	-	20,002	749,766
Total endowment funds	28,165,997	61,821	-	-	156,502	28,384,320
Total funds	40,110,067	2,660,246	(3,245,571)	-	183,860	39,708,602

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

Charity

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2023 £
Unrestricted funds						
<i>General</i>						
Watts Gallery	1,682,470	1,506,239	(1,831,639)	120,000	-	1,477,070
<i>Designated</i>						
Watts Gallery	-	-	-	-	-	-
Total Unrestricted funds	<u>1,682,470</u>	<u>1,506,239</u>	<u>(1,831,639)</u>	<u>120,000</u>	<u>-</u>	<u>1,477,070</u>
Restricted funds						
Gallery Restoration Fund	3,790,941	-	(96,961)	-	-	3,693,980
Graham Robertson Trust Fund	75,642	-	-	-	-	75,642
Other	120,260	200,000	(245,394)	(20,000)	-	54,866
Great Studios Project	2,999,715	-	(101,210)	(20,000)	(36,716)	2,841,789
Limnerslease	1,932,018	-	(2,705)	(30,000)	-	1,899,313
Chapel Restoration Fund	79,803	-	-	(20,000)	-	59,803
Physical Energy Fund	643,432	-	(24,955)	(30,000)	-	588,477
Total restricted funds	<u>9,641,811</u>	<u>200,000</u>	<u>(471,225)</u>	<u>(120,000)</u>	<u>(36,716)</u>	<u>9,213,870</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2023 £
Endowment funds						
<i>Permanent</i>						
Mrs M S Watts Will Trust	427,453	-	-	-	(16,247)	411,206
Watts Gallery Permanent Endowment	3,320,716	-	-	-	(128,370)	3,192,346
Collection	22,790,776	-	-	-	-	22,790,776
Catalyst Endowment	1,095,609	8,618	-	-	(38,716)	1,065,511
	<u>27,634,554</u>	<u>8,618</u>	<u>-</u>	<u>-</u>	<u>(183,333)</u>	<u>27,459,839</u>
<i>Expendable</i>						
GF Watts Book Fund	3,937	-	-	-	-	3,937
Watts Gallery Expendable Endowment	745,829	-	-	-	(26,864)	718,965
	<u>749,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,864)</u>	<u>722,902</u>
Total endowment funds	<u>28,384,320</u>	<u>8,618</u>	<u>-</u>	<u>-</u>	<u>(210,197)</u>	<u>28,182,741</u>
Total funds	<u>39,708,601</u>	<u>1,714,857</u>	<u>(2,302,864)</u>	<u>-</u>	<u>(246,913)</u>	<u>38,873,681</u>

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2021 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2022 £
Unrestricted funds						
<i>General</i>						
Watts Gallery	1,593,830	1,812,276	(2,163,657)	440,000	21	1,682,470
<i>Designated</i>						
Watts Gallery	440,000	-	-	(440,000)	-	-
Total Unrestricted funds	2,033,830	1,812,276	(2,163,657)	-	21	1,682,470
Restricted funds						
Gallery Restoration Fund	3,887,903	-	(96,962)	-	-	3,790,941
Graham Robertson Trust Fund	75,642	-	-	-	-	75,642
Other	120,885	14,643	(15,268)	-	-	120,260
Great Studios Project	3,079,610	-	(107,232)	-	27,337	2,999,715
Limnerslease	1,944,723	-	(12,705)	-	-	1,932,018
Chapel Restoration Fund	99,001	914	(20,112)	-	-	79,803
Physical Energy Fund	721,772	-	(78,340)	-	-	643,432
Total restricted funds	9,929,536	15,557	(330,619)	-	-	9,641,811

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

22 Funds

(Continued)

	Balance at 1 April 2021 £	Income £	Expenditure £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2022 £
Endowment funds						
<i>Permanent</i>						
Mrs M S Watts Will Trust	415,356	-	-	-	12,097	427,453
Watts Gallery Permanent Endowment	3,225,139	-	-	-	95,577	3,320,716
Collection	22,790,776	-	-	-	-	22,790,776
Catalyst Endowment	1,056,110	10,673	-	-	28,826	1,095,609
	<u>27,487,381</u>	<u>10,673</u>	<u>-</u>	<u>-</u>	<u>136,500</u>	<u>27,634,554</u>
<i>Expendable</i>						
GF Watts Book Fund	3,937	-	-	-	-	3,937
Watts Gallery Expendable Endowment	674,679	51,148	-	-	20,002	745,829
	<u>678,616</u>	<u>51,148</u>	<u>-</u>	<u>-</u>	<u>20,002</u>	<u>749,766</u>
Total endowment funds	<u>28,165,997</u>	<u>61,821</u>	<u>-</u>	<u>-</u>	<u>156,502</u>	<u>28,384,320</u>
Total funds	<u>40,129,363</u>	<u>1,889,654</u>	<u>(2,494,276)</u>	<u>-</u>	<u>183,860</u>	<u>39,708,601</u>

The funds are represented by a mix of assets, primarily property and artwork, as disclosed further in note 23.

Transfers

Reversal of a transfer of £440,000 made in 2021 from Unrestricted General Funds to Unrestricted Designated Funds set aside for the following purposes:

Website, Digital and IT Fund - to replace IT equipment and improve digital access and engagement
Covid Fund - to cover operating costs and reduced income streams due to the ongoing effects of the pandemic.

Buildings and Estate Maintenance Fund - to support the ongoing development, conservation and maintenance of the estate.

Future Sustainability Fund - to support strategic commercial initiatives and improve the future financial sustainability of the organisation.

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

23 Analysis of net assets between funds

Group - Year ended 31 March 2023

	Unrestricted funds - General £	Restricted funds £	Permanent £	Total funds £
Tangible fixed assets	531,636	7,258,817	-	7,790,453
Heritage assets	-	-	22,765,564	22,765,564
Fixed asset investments	688,198	1,009,192	5,344,525	7,041,915
Current assets	520,333	1,130,162	72,652	1,723,147
Current liabilities	(209,763)	(47,501)	-	(257,264)
Creditors over 1 year	(53,333)	(136,800)	-	(190,133)
Total net assets	1,477,071	9,213,870	28,182,741	38,873,682

Charity - Year ended 31 March 2023

	Unrestricted funds - General £	Restricted funds £	Permanent £	Total funds £
Tangible fixed assets	467,577	7,258,817	-	7,726,394
Heritage assets	-	-	22,765,564	22,765,564
Fixed asset investments	688,199	1,009,192	5,344,525	7,041,916
Current assets	453,035	1,130,162	72,652	1,658,348
Current liabilities	(131,741)	(47,501)	-	(179,236)
Creditors over 1 year	-	(136,800)	-	(136,800)
Total net assets	1,477,070	9,213,870	28,182,741	38,873,681

Group - Year ended 31 March 2022

	Unrestricted funds - General £	Restricted funds £	Permanent £	Total funds £
Tangible fixed assets	427,960	7,445,714	-	7,873,674
Heritage assets	-	-	22,765,564	22,765,564
Fixed asset investments	688,198	1,045,908	5,554,722	7,288,828
Current assets	848,729	1,299,972	64,034	2,212,735
Current liabilities	(209,083)	(12,983)	-	(222,066)
Creditors over 1 year	(73,333)	(136,800)	-	(210,133)
Total net assets	1,682,471	9,641,811	28,384,320	39,708,602

Watts Gallery Trust

Notes to the Financial Statements for the Year Ended 31 March 2023

23 Analysis of net assets between funds

(Continued)

Charity - Year ended 31 March 2022

	Unrestricted funds - General £	Restricted funds £	Permanent £	Total funds £
Tangible fixed assets	349,471	7,445,714	-	7,795,185
Heritage assets	-	-	22,765,564	22,765,564
Fixed asset investments	688,199	1,045,908	5,554,722	7,288,829
Current assets	770,440	1,299,972	64,034	2,134,446
Current liabilities	(125,640)	(12,983)	-	(138,623)
Creditors over 1 year	-	(136,800)	-	(136,800)
Total net assets	1,682,470	9,641,811	28,384,320	39,708,601

24 Related party transactions

During the year the group made the following related party transactions:

Trustees and organisations in which trustees have a controlling interest

During the year, the Group received donations from trustees and organisations in which trustees have a controlling interest, without conditions attached, totalling £260,000 (2022 - £324,061). At the balance sheet date the amount due to/from Trustees and organisations in which trustees have a controlling interest was £Nil (2022 - £Nil).