

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 2024

WATTS GALLERY TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINIS

Trustees

D R
A J B
M J
S K M
M N
J M
U D
K C
Dr G
Prof
F A
G A
M B
M B
D B
Dr M
M S

Company registered number

0614

Charity registered number

3136

Registered office

Dow
Com
Guilf
Surr
GU3

Independent auditors

Azel
Ash
Woc
God
Surr
GU7

Bankers

Lloy
49 H
God
Surr
GU7

Solicitors

Stor
Upp
Upp
Bath
BA1

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
(CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Investment Advisors CCLA
Senator House
85 Queen Victoria Street
London
EC4V 4ET

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 M.

Additional Information

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

Financial Statements

The Trustees present their report and the audited financial statement 2024. The Trustees have adopted the provisions of the Statutory Regulations "Accounting and Reporting by Charities" (FRS 102) in preparing the financial statements for the charity.

The financial statements have been prepared in accordance with the Charities Accounts Regulations 2019 and comply with the Charities Acts of 2011 and 2022, the Charity Commission's Guidance on Accounting and Reporting by Charities, and the Accounting and Reporting by Charities (FRS 102) applicable to Charities preparing their accounts in accordance with the Charities Accounts Regulations 2019 in the UK and Republic of Ireland (FRS 102) (effective 1 January 2020).

OVERVIEW:

Report from the Chair and Chief Executive:

We are pleased to introduce our Trustees' Report and Financial Statements for the year ended 31 March 2024.

Preparing for the 120th anniversary of our opening on 1st April 2024, it was another year for Watts Gallery. Rather it was a year which marked the developing story of this very special place.

The impact on the arts sector of the challenging environment and subsequent macro-economic environment in the UK is well documented. Our income and revenues were further affected by significant increases in energy costs, staff shortages, and business closures necessitated by flooding and fire. However, Watts Gallery's management team, backed by a wonderful group of hard-working staff, responded to these difficulties and ensured we ended the year with a surplus, underpinning our aim of improved financial sustainability.

Despite a year that saw several unforeseeable challenges, it ended with a fitting tribute to the resilience and determination of our staff. G.F. Watts became a Royal Academician, Self-Paid in the year Watts became a Royal Academician, Self-Paid through the Acquisition in Lieu Scheme, administered by Arts Council England.

We also took the opportunity to revalue our collections, last revalued in 2014 by Christie's, which has led to a £13.2m reduction in the value of the art market for Victorian art. Whilst this extrapolation of the overall value of the art market, a sample of key collection works has created a significant shift in the value of the art market. The Audit Committee agreed that it was an important corrective step.

Watts Gallery is a very special place, but we recognise that ultimately it is the quality and diversity of our offer, be it our historic buildings and collections, our community activities. All of which is underpinned by the beautiful landscape.

Embarking on our new chapter, we are grateful for the quality of support we have received from our supporters. We have an ambitious new ten-year vision as A Creative Home for our Local Area. We believe the extraordinarily pioneering vision of our founders, G F Watts and his wife, and the creativity can transform lives; moving forwards everything we will do.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

purpose.

Research has repeatedly shown the extraordinary benefits art and craft can offer to personal wellbeing and the vital role they play in supporting disadvantaged sectors in society and those struggling with mental health problems or learning difficulties or in prison. Art and creativity are also critical to children's development, but current timetabling pressures mean there simply isn't the room for teachers to give this the attention it deserves.

Empowered by our founders' belief in 'art for all', our new strategy seeks to build impetus around our vision, focusing on families as well as art loving adults, with increased emphasis on creativity and a local-first approach as a creative resource for our community alongside our inspiring gallery and historic venue. All of which will be rolled out in the year ahead, backed by a revitalised business planning process and our strong value commitments to Nurturing Creativity, being an Inclusive Community and A Place to Inspire. As we look to the future, we feel particularly excited by the increasing focus on Mary Watts as an artist, pioneering social reformer, community champion, social entrepreneur, women's rights advocate through the suffrage movement, and partner to G F Watts. Following on from the 120th anniversary of our foundation on 1st April 2024, the coming year also sees the 175th anniversary of Mary Watts birth – an ideal moment to reflect on the relevance today of all she achieved in her lifetime.

Finally, we are immensely grateful for the continued support of our many loyal funders and volunteers, without whom we simply could not do what we do.

Sarah King, Chair, Board of Trustees, Watts Gallery Trust
Alistair Burtenshaw, Brice Director & Chief Executive, Watts Gallery Trust

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

OUR GUIDING PRINCIPLES

Who We Are

Founded in 1904 as the only gallery in the UK devoted to a single artist, Watts Gallery offers a unique insight into the life and work of 'England's Michelangelo' George Frederic Watts and his wife Mary Seton Watts, the designer and founder of The Potters' Arts Guild at Compton.

George and Mary Watts shared a vision that art had the power to change society and should be available for everyone to experience and enjoy. We continue this legacy in many ways, through our collection and exhibitions, programming, contemporary art projects and community engagement.

As a charity, we endeavour to reach and inspire all audiences, work made possible by the support of our visitors, shoppers, Friends, Patrons, donors and supporters.

Our Objects

- 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.

Our Vision: A Creative Home for our Local Community.

Our Mission: Art for All by All.

To inspire, engage and transform lives through art and creativity.

Our Values:

Nurturing Creativity: *We encourage creativity and making for all.*

Inclusive *We collaborate with our community to welcome all to enjoy art and creativity.*

Community

A Place to Inspire *We celebrate our heritage and beautiful location for all to enjoy.*

Core Purpose and We honour the legacy of our founders, G F and Mary Watts, and their belief that art
Belief: *can transform lives.*

Continuing our founders' belief, everything we do at Watts Gallery is founded on this social purpose.

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.

The Trust is governed by a board of Trustees who are also directors of the charity. 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.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

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.

All trustees are 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.

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 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 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.

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. Investment management is undertaken by CCLA on a total return basis and the performance of the portfolio is regularly reviewed by the Finance Committee. The trustees in appointing CCLA considered their ESG credentials. CCLA hold an A+ rating across all principles for responsible investment. Investment income has been reviewed as part of the financial review section of this report and this remains a valuable source of 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 Committee and annually by the Trustee Board. The Trustees believe the charity has sufficient resources to

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FOR THE YEAR ENDED 31 MARCH 2024

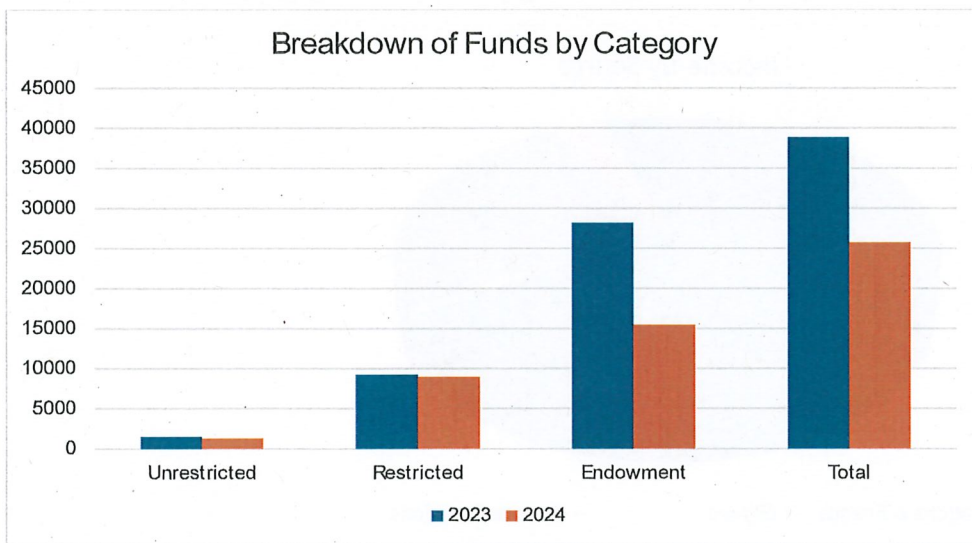
continue operating for the foreseeable future.

Reserves

The Directors' Policy is to aim to build up uncommitted reserves to a level equivalent to 3 - 6 months current running costs (2024 - between £694,234 and £1,388,468, 2023 - between £719,569 and £1,439,138) . 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 2024 Watts Gallery Trust had consolidated total funds of £25,886,893 (2023: £38,873,682) of which £1,190,196 were unrestricted funds, £9,071,164 were restricted funds and £15,625,533 were held in endowments (which includes the collection valued at £9,715,991).



The figures referred to above are denoted in £'000's.

The unrestricted funds are made up of £1,107,429 in freehold land, buildings and tangible assets and £82,767 of free reserves (2023: £310,570). This level of free reserve represents approximately 36% of a 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.

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FOR THE YEAR ENDED 31 MARCH 2024

Financial Review

Total revenue for the year amounted to £2,586,872, compared to £2,562,395 in the previous year, an increase of 1% on the prior financial year (FY2023). This was mainly attributed to:

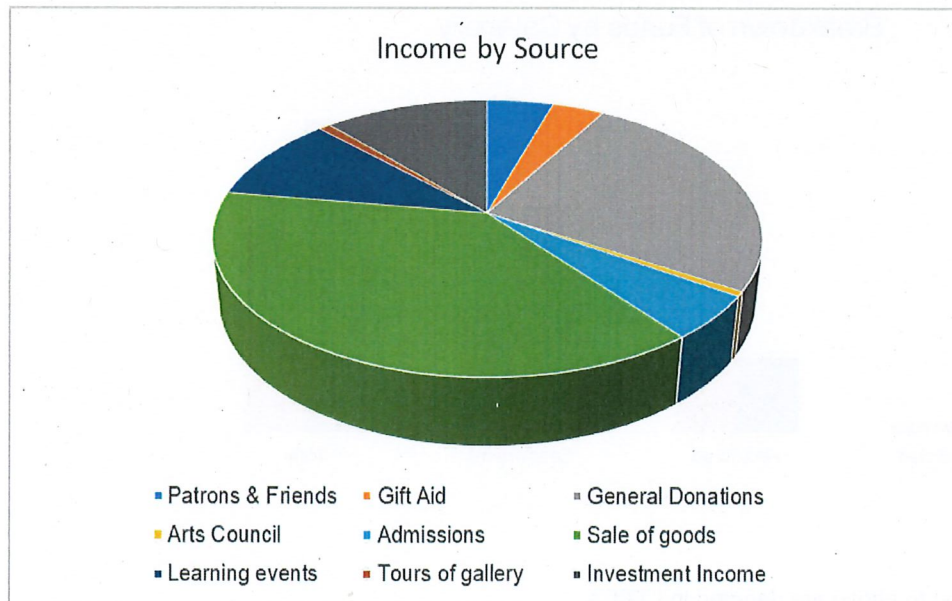
- Donations of £1,009,506 (39% of total income) down 14% from FY2023 (£1,177,388)

	FY 2024	FY 2023
Patron and Friends	£113,264	£102,848
Gift Aid	£87,228	£85,245
General Donations	£749,605	£884,755
Arts Council England	£59,409	£104,540

- Trading activities of £1,295,396 (50% of total income) up 15% from FY2023 (£1,129,919)

	FY 2024	FY 2023
Sale of goods and services	£913,275	£909,255
Learning events	£244,645	£34,990
Admissions	£117,131	£167,720
Tours of Gallery	£20,345	£17,954

- Investment income of £281,970 (11% of total income) up 11% from £255,088 in FY2023.

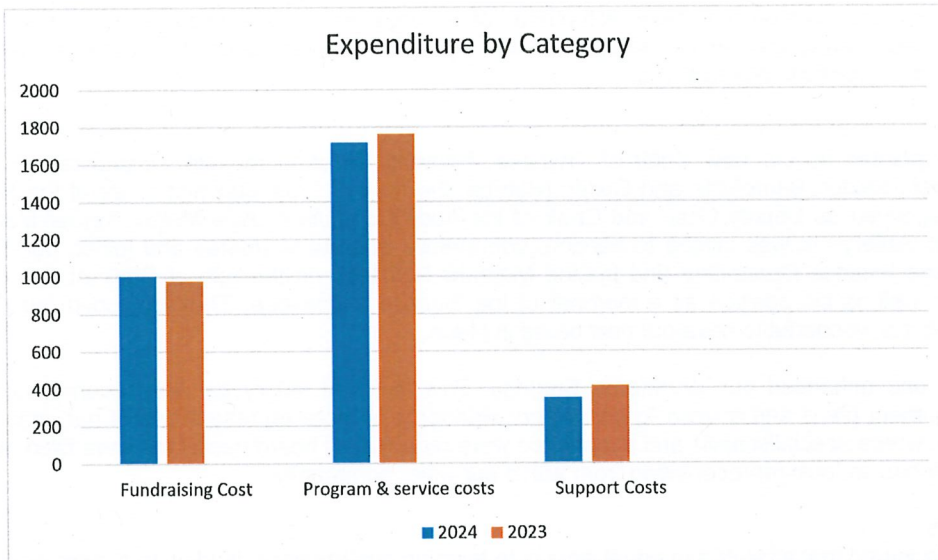


Total expenditure for the year was £3,074,413 reflecting a 2% reduction from previous FY 2023 (£3,150,402). The major areas of expenditure were:

- Fundraising trading expenses
- Program and services expenses
- Support costs

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FOR THE YEAR ENDED 31 MARCH 2024



The figures referred to above are denoted in £'000's.

The net income/expenditure for the year before any losses or gains on investments and transfers between funds was a deficit of £487,541 compared to a deficit of £588,007 for the prior financial year 2023.

During the year there were gains on the revaluation of investment property of £102,046 and on the revaluation of listed investments of £568,279. This compared to a loss on listed investments of £246,913 in the 2023 financial year.

There was also a significant reduction in the value of the collections (fixed assets) as a result of an impairment of £13,169,573. This decline in value is attributed to several art market factors outside of our control such as a shift in artistic tastes and aesthetics, market saturation, changing cultural narratives and decline in institutional support for Victorian art.

Despite rising costs, the organisation remains committed to careful management of expenditure, increasing visitor numbers and average income per admission, and diversifying its income streams. Looking ahead, we are planning further investments in strategic initiatives to drive income growth while ensuring continued financial sustainability.

A Detailed Review of the Year

Strategy:

The four key objectives for the year were:

- to connect with, touch and inspire our wider community - defined as within a one-hour travel time.
- to engage all in dynamic, creative programming, placing contemporary artists at the heart of unlocking our artists, collections, and history.
- to safeguard our future by attracting 100,000 visits to the gallery (by 2032), expand our income mix, and generate enough revenue to match our ambitions, every year.
- to enable all to enjoy the Watts by listening and responding to the needs of all users.

To embed these ambitions, new quarterly staff and volunteer meetings were held throughout the year with the

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

purpose of placing our core strategy and values at the heart of our organisation. We also held our first Board and Senior Leadership Team away day, which helped develop our new ten-year vision, three-year strategy and values, rolled out at the end of the financial year.

Governance:

Sarah King was appointed as our new Chair of Trustees, following an open recruitment process via board recruitment specialists Saxton Bampfylde and Cedric Ntumba, the current Treasurer and Chair of the Finance Committee, was appointed as Deputy Chair and Chair of the Audit Committee. Julie Molloy, former Managing Director of National Gallery Ltd was invited to become commercial operations trustee and joined our Trading Company Board, and Finance Committee and trustee Matthew Holt took on the role of Chair of the Trading Company Board as well as his position as a member of the Finance Committee. This concluded our phased board transition, and it is wonderful to have our new board in place.

We also reviewed and enhanced our Workforce Strategy. This included salary banding recommendations, training and development plans and actions to ensure our workforce is more representative of our community. With one exception, where specialist skills and experience were required, all board vacancies were filled by open recruitment, with a focus on local representation from within our wider community.

Staff and Volunteers:

During the year we ensured that all staff had equal access to learning opportunities, leading to a more skilled and adaptable workforce and helping maintain a high standard of performance across the organisation. The number of full-time equivalent staff dropped from 51 to 43 through natural churn, with a restructuring put in place at the start of the new financial year to align with the objectives of our new strategy.

Our volunteer induction programme was further developed to embed our values and ensure a consistent welcome for all visitors from our volunteer stewards and guides. An 'always on' volunteer recruitment campaign recruited 60 new volunteers across the year, with equal opportunity forms completed by all new volunteers, and a focus on increasing the number of young people volunteering.

Marketing & Admissions:

Admissions were 14% down on target (25,726 vs target of 29,750) with admissions income 45% down on target (£117k vs target of £211k) – both decreases due to the closure of the historic galleries for fifteen weeks or 28% of the year because of a small fire in the plant room that services the galleries.

We prepared a brief for an external brand perception study which will be commissioned as soon as funds allow to establish current brand awareness within a one-hour travel time. The study will focus on the visibility of the story of G F and Mary Watts as artists, the contemporary practicing artists we showcase today, and the thriving artists' village we support all year-round. In the meantime, clear Key Performance Indicators were established for monitoring brand awareness.

Our focus on promoting our whole offer more effectively via our new website has proved successful thanks to close monitoring of user experience, continual testing and the development of online content. The digital visitor journey has also been enhanced through the roll-out of our new ticketing and customer relationship management systems. Increased online bookings following the launch of these new systems have also enabled more dynamic and targeted communications. A new social media strategy was also implemented and increased digital engagement as we looked to optimise audience engagement with our digital platforms and growing digital revenues.

A total of 457 visitor surveys were completed through the Audience Finder platform, with the 15-week closure of the Historic Galleries impacting on the total sample size, which was smaller than usual. At the end of the year, we successfully moved to running the visitor survey in-house as we look to grow our understanding of our audiences and their needs. Across the year, we achieved a Net Promoter Score of 79% as we work towards our goal of achieving a score of 85%.

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Community Engagement:

Formal partnerships were further developed with key groups representing members of our community who would otherwise face barriers to creative participation or are traditionally under-served. These key strategic partners are HMP Send, Woking Women's Support Centre, Halow Project, Surrey County Council Youth Support Service, plus a social prescription service that is self-funded by Watts Gallery Trust. We also secured Clore Duffield Foundation Challenge and Opportunity funding to cover the costs during this year and next year of 12 days of visits for around 700 school pupils who would otherwise not be able to visit.

To enable young people to access paid opportunities in museums and galleries we made an open call for work experience placements amongst Year 10s-13s which resulted in three young people working across teams for week-long placements. We also worked alongside eight other cultural organisations across the UK as part of the New Routes pilot programme from Engage, the leading charity for encouraging engagement and participation in the visual arts. This included hosting a month-long paid work placement for a young person facing barriers to working in the cultural sector.

Our vitally important Community Forum group has also continued throughout the year, providing essential feedback and insights from members of our wider community. This has proved to be an incredibly useful group, and membership has been increased and diversified to 10 people with participant satisfaction monitored, including exit interviews conducted with any departing participants. These quarterly facilitated meetings informed our *Victorian Virtual Reality* and *Edo Pop* exhibitions as well as family-friendly interpretation, the role of creativity and making, the audience needs for our Clore Learning Studio, and general visitor experience and site navigation.

Engagement:

Much work took place during the year to significantly grow learning and engagement income as a core element of our new ten-year vision and three-year strategy. This informed a new departmental structure, combining the Collections & Exhibitions, Learning & Engagement teams, and our Contemporary Gallery Manager post, into a new Engagement team, led by Sarah Jarvis, formerly Head of Learning & Engagement. In addition, ambitious new goals were built into the budget for the financial year ahead with new income-generating event trialled during the year. These included family days, masterclasses and the re-launch of 5-week pottery courses.

A new internal strategic programming group, chaired by the Director and launched at the end of the previous financial year, was rolled out throughout the year with representatives from across the organisation. Its aim is to ensure ambitious seasonal programming, delivered effectively through cross-departmental collaboration, enabling the development of our programming ambitions to 2028 and beyond. This included a successful initial application to Art Fund's *Going Places* programme which will support the development of two funded community co-curated, co-designed and co-produced exhibitions in the period to 2030, as well as the development of a longer-term pipeline of audience-focused exhibitions developed in-house or in partnership with peer institutions. Highlights included exhibitions *Halima Cassell: From the Earth*, the first major exhibition by a contemporary artist, *Victorian Virtual Reality: Photographs from the Brian May Archive of Stereoscopy*, and the opening of *Edo Pop: Japanese Prints 1825 – 1895*, featuring a new commission 'Sakura Saku' by contemporary Japanese printmaker Hiroko Imada.

Collections:

The end of the financial year saw the completion of our five-year Collections Online programme, featuring detailed new insights from five Early Career Researchers into 160 key works by G F Watts. This complex project included moving over 7,000 collection items onto a new collections management software system and making them available to view on our new Collections Online portal, which was subsequently launched on our website in April 2024 alongside a major symposium of new research on G F Watts linked to the programme.

We were delighted that G F Watts' *Self-Portrait, 1867*, was gifted to the gallery in lieu of taxes thanks to Arts Council England and the Acquisition in Lieu Panel. In addition, we were able to acquire *Bo Orb*, a beautiful contemporary commission by Halima Cassell. Thanks to the generous assistance of a supporter who has purchased Habib Hajallie's residency work, *A British Hall of Fame*, we have also been able to secure this

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important new work on long term loan. A major photographic portraiture composition featuring staff and volunteers was also commissioned from wet-plate collodion photographer Emma Brown to mark the 120th anniversary of the opening of Watts Gallery on 1st April 2024.

The year also saw major loans of works from our collection to *Flowers Forever* at Kunsthalle München in Germany, *Flower Power* at the Musée des impressionnismes Giverny in France and *Preraffaelliti: Rinascimento Moderno* at the Museo Civico San Domenico Forlì in Italy as part of our ambition to lend works as proactively as their conditions allow.

We had hoped to launch an open tender for a Project Curator to act as artistic programme and inclusive interpretation lead ahead of the installation of a bronze cast of GF Watts' sculptural masterpiece *Physical Energy* in the woodlands at Limnerslease. The recruitment of this temporary post was postponed whilst we awaited planning permission of the sculpture's installation, now received, and will be tendered in the current financial year, subject to securing appropriate funding.

As part of our plan to develop an additional income stream from activities related to our collections, an informal review identified quick wins from loan fees, which have been introduced, as well as an action plan to be implemented once our new Collections Curator position, currently being advertised, is recruited.

Lastly, as we prepare to celebrate the 175th anniversary of Mary Watts' birth, a core aim has been to conserve and install a beautiful Well Head by Mary Watts outside the main entrance to Limnerslease. We were very pleased that after the financial year end, funding was concluded for this special project, enabling conservation to begin in August 2024, with installation scheduled for October 2024.

Enhanced Delivery:

The year-end operating budget recorded a significant improvement on original budget (£58,735 surplus versus a £163k original budget deficit target). This was principally due to close monitoring and management of unrestricted expenditure. Hence more restricted expenditure spending compared to prior year. Total income per visitor / admission was also up 17% for the year (target £77.42 vs £100.55 actual) and our cost of generating £1 of income was 3% better than target (£1.12 versus a target of £1.16).

We also created new evaluation and reporting mechanisms which were rolled out through the year and a new Key Performance Indicator tracker document was implemented. In addition, the annual audience survey was reviewed continually throughout year to ensure improvements could be made immediately, where possible. Annual survey results and a six-year trend report were also shared widely across the organisation.

Our new integrated customer relationship management and ticketing systems were completed and rolled out, together with staff training, during the year. Work also took place and is ongoing to ensure whole organisation buy-in to all compliance and business continuity requirements, including safety management, GDPR and safeguarding, led by the Head of Visitor Experience.

As part of our plan to manage costs effectively, the procurement arrangements were reviewed including a review of biggest suppliers by value. This resulted to significant cost savings and increased efficiency. A new comprehensive procurement policy was postponed due to reduced staff capacity but will be prepared for Board approval in the year ahead. A green energy broker was also appointed to ensure strong baseline data on all utilities and improve our environmental sustainability and costs and the process of moving accounts across to green contracts is underway as they come up for renewal.

To maximise investment income, an annual presentation to the Finance Committee by new fund managers CCLA was introduced in March with the Head of Finance & Resources also receiving a quarterly investment report and update from the fund managers.

Trading Company:

A major focus for the year has been to improve Trading Company profitability given inflationary cost pressures in

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recent years. Short term options were reviewed and implemented wherever possible to optimise Trading Company margins with a 3-year strategy put in place to increase significantly increase Trading Company profitability from the coming financial year. As part of this process, business planning took place during the year to create a major venue-hire and filming income stream, which informed the recruitment of our first Venue Hire & Events Officer, appointed early in the new financial year. In addition, a review with KD Fine Art to grow contemporary gallery space took place.

Contemporary Gallery exhibitions including *Watts Ceramics: Living Traditions*, *Re-invented: The Art of Upcycling*, *Formations: Fiona Millais and Lucy Lutyens*, *Roots and Journeys*, *In Print: Joy and Angie Lewin: Patterns of Nature* showcased new and established artists, brought in new audiences and supported our charity through profits from the sale of works, which are then gifted from the Trading Company to our charity.

Estate Masterplan:

A first quinquennial, or five-year property survey was completed across the whole estate and a phased delivery plan agreed with the Property Committee. In addition to planned preventative maintenance, the lychgate of the Grade I listed Watts Cemetery Chapel was seriously damaged during the year by a vehicle, flooding in the tea shop kitchen caused ten weeks of interruption to the catering offer, and a small fire in the plant room closed the historic galleries for fifteen weeks and depressed admissions and associated income for 28% of the year. These unexpected challenges were dealt with calmly and effectively thanks to the resilience of staff and volunteers and meant that we were able to continue to welcome visitors year-round and that our community engagement family and school programmes continued unaffected by these unforeseeable challenges. Repairs to the plant room were largely completed during the financial year with works to the kitchen and lychgate delivered in the first half of the new financial year.

Fundraising:

A large-scale summer garden party to cultivate new supporters was generously hosted on the Kent-East Sussex borders by a supporter. In addition, a dinner was hosted in London in aid of our Artist's Studio Museum Network and a reception held for the Network in Lucian Freud's former home and studio. We also held our largest US fundraising reception to date – and first ticketed fundraiser - in New York, which included a keynote speech by Professor Tim Barringer, Paul Mellon Chair of the History of Art at Yale University, ahead of our 120th anniversary.

Membership income for the year was 90% against a target of £152,776 due primarily to a lower than hoped for level of Exhibition Circle support. A membership review was conducted by an external consultant and key takeaways from the review have been implemented, with a new Patron level of £2,500 introduced to bridge the gap between Gold Patrons (£1,000 annually) and Exhibition Circle members (£5,000 annually). The three core Patron levels have been renamed – Silver (£500 annually), Gold and Platinum and a monthly newsletter for all members introduced, to keep members engaged and help ensure renewal rates remain high.

Looking to the future, a legacy memorial has also been scoped for installation in the cemetery at the Watts Chapel and further work will take place to secure permission for the installation, launch a legacy video, and increase awareness of our charitable status amongst supporters and local solicitors.

Visitor Experience:

A key feature of the year was the designing of the idyllic new woodland setting in the grounds at Limnerslease for our bronze cast of G F Watts' monumental sculpture *Physical Energy* with landscape architects LDA. Following this an application was also submitted for planning permission, which was received after the financial year-end.

Work also started on reviewing the findings of the Visitor Experience Report conducted immediately pre-pandemic. Once focus groups and other research has been completed in early 2024/25, the new Visitor Experience strategy will be written. Plans for improvements to signage have also been made so they can be acted on as budgets allow. To aid the focus on Visitor Experience, plans were made during the year to bring together the Operations, Visitor Services and Front of House teams in a new Visitor Experience team, led by Claire Griffin, formerly Head of Operations, which was launched at the start of the new financial year.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Looking Ahead:

The new three-year strategy has outlined four key ambitions for the year ahead:

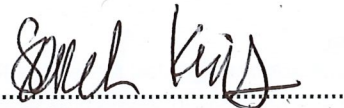
1. Attract more visitors: create a stronger, clearer, consistent offer with fewer, bigger themes clearly focussed on families and art lovers; return to our creative/commercial roots; ensure all activity is funded or creates a surplus.
2. Focus on Surrey audiences: provide a customer-centric programme, offer, communications and community partnerships; create new income streams and programmes that respond to the needs of Surrey audiences.
3. Place Mary and George at our core: highlight their relevance; build our offer around their commitment to art and artists; simplify and strengthen what we already do.
4. Revitalise our work: embrace our values; be more collaborative, adaptable, and effective in how we work; enjoy our work more; become results focussed; better evidence our work; simplify and strengthen what we already do; lay the foundations to address our future needs.

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

Approved by order of the members of the board of Trustees on 10 December 2024 and signed on their behalf by:



.....
A J Burtenshaw
Trustee



.....
S K King
Trustee

WATTS GALLERY TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2024

The Trustees (who are also the directors of Watts Gallery Trust for the purposes of company law) are responsible for preparing the Trustees' 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 . Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Charity and of their incoming resources and application of resources, including their income and expenditure, 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 of the Charities SORP 2019 (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Charity 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 Group and the Charity 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.

WATTS GALLERY TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' 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 2024 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Charities SORP Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the charitable parent company's affairs as at 31 March 2024 and of the Group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

WATTS GALLERY TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTS GALLERY TRUST (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.
- the Trustees' Report has 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 charitable 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 in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- the charitable parent company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Trustees' Responsibilities Statement, the Trustees (who are also the directors of the charitable parent company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

WATTS GALLERY TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTS GALLERY TRUST (CONTINUED)

Auditors' 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 Auditors' 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.

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 Auditors' Report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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;

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the Charity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

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.

WATTS GALLERY TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTS GALLERY TRUST (CONTINUED)

Use of our report

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

Azets Audit Services

Debra Saunders Bsc FCA (Senior Statutory Auditor)

For and on behalf of Azets Audit Services Limited, Statutory Auditor

Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

12 December 2024

WATTS GALLERY TRUST
(A company limited by guarantee)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	Unrestricted funds 2024 £	Restricted funds 2024 £	Endowment funds 2024 £	Total funds 2024 £	Total funds 2023 £
Income and endowments from:						
Donations and legacies	3	750,875	138,631	120,000	1,009,506	1,177,388
Other trading activities	4	1,295,396	-	-	1,295,396	1,129,919
Investments	5	273,381	-	8,589	281,970	255,088
Total income and endowments		2,319,652	138,631	128,589	2,586,872	2,562,395
Expenditure on:						
Raising funds	6	1,005,130	-	-	1,005,130	976,100
Charitable activities	7	1,553,443	515,840	-	2,069,283	2,174,302
Total expenditure		2,558,573	515,840	-	3,074,413	3,150,402
Net (expenditure)/income before net (losses)/gains on investments						
		(238,921)	(377,209)	128,589	(487,541)	(588,007)
Net (losses)/gains on investments and revaluation of fixed assets						
		(47,954)	234,503	(12,685,797)	(12,499,248)	(246,913)
Net movement in funds		(286,875)	(142,706)	(12,557,208)	(12,986,789)	(834,920)
Reconciliation of funds:						
Total funds brought forward		1,477,071	9,213,870	28,182,741	38,873,682	39,708,602
Net movement in funds		(286,875)	(142,706)	(12,557,208)	(12,986,789)	(834,920)
Total funds carried forward		1,190,196	9,071,164	15,625,533	25,886,893	38,873,682

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

The notes on pages 26 to 56 form part of these financial statements.

WATTS GALLERY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 06147572

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2024

	Note	2024 £	2023 £
Fixed assets			
Tangible assets	13	5,897,718	7,790,452
Heritage assets - the collection	14	9,715,991	22,765,564
Investments	15	6,846,354	6,278,074
Investment property	16	2,515,886	763,840
		<u>24,975,949</u>	<u>37,597,930</u>
Current assets			
Stocks		95,325	104,499
Debtors	17	227,877	131,803
Cash and bank - restricted	26	864,805	1,202,814
Cash and bank - unrestricted	26	85,585	284,033
		<u>1,273,592</u>	<u>1,723,149</u>
Creditors: amounts falling due within one year	18	<u>(329,315)</u>	<u>(257,264)</u>
Net current assets		944,277	1,465,885
Total assets less current liabilities		25,920,226	39,063,815
Creditors: amounts falling due after more than one year	19	<u>(33,333)</u>	<u>(190,133)</u>
Net assets excluding pension asset		25,886,893	38,873,682
Total net assets		25,886,893	38,873,682
Charity funds			
Endowment funds	21	15,625,533	28,182,741
Restricted funds	21	9,071,164	9,213,870
Unrestricted funds	21	1,190,196	1,477,071
Total funds		25,886,893	38,873,682

The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

WATTS GALLERY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 06147572

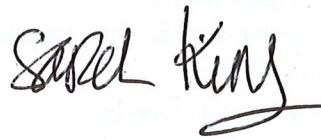
CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2024

The financial statements were approved and authorised for issue by the Trustees on 10 December 2024 and signed on their behalf by:

A J Burtenshaw
Trustee



S K King
Trustee



The notes on pages 26 to 56 form part of these financial statements.

WATTS GALLERY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 06147572

CHARITY BALANCE SHEET
AS AT 31 MARCH 2024

	Note	2024 £	2023 £
Fixed assets			
Tangible assets	13	5,847,923	7,726,394
Heritage assets - the collection	14	9,715,991	22,765,564
Investments	15	6,846,355	6,278,076
Investment property	16	2,515,886	763,840
		<u>24,926,155</u>	<u>37,533,874</u>
Current assets			
Debtors	17	289,103	260,157
Cash and bank - restricted		864,805	1,202,814
Cash and bank - unrestricted		51,606	192,879
		<u>1,205,514</u>	<u>1,655,850</u>
Creditors: amounts falling due within one year	18	(244,776)	(179,242)
Net current assets		<u>960,738</u>	<u>1,476,608</u>
Total assets less current liabilities		<u>25,886,893</u>	<u>39,010,482</u>
Creditors: amounts falling due after more than one year	19	-	(136,800)
Total net assets		<u><u>25,886,893</u></u>	<u><u>38,873,682</u></u>
Charity funds			
Endowment funds	21	15,625,533	28,182,741
Restricted funds	21	9,071,164	9,213,870
Unrestricted funds	21	1,190,196	1,477,071
Total funds		<u><u>25,886,893</u></u>	<u><u>38,873,682</u></u>

The Charity's net movement in funds for the year was a deficit of £12,986,789 (2023 - a deficit of £834,920).

WATTS GALLERY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 06147572

CHARITY BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2024

The financial statements were approved and authorised for issue by the Trustees on 10 December 2024 and signed on their behalf by:

A J Burtenshaw
Trustee



S K King
Trustee



The notes on pages 26 to 56 form part of these financial statements.

WATTS GALLERY TRUST
(A company limited by guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	2024 £	2023 £
Cash flows from operating activities		
Net cash used in operating activities	(743,686)	(441,832)
Cash flows from investing activities		
Dividends, interests and rents from investments	254,853	252,406
Purchase of tangible fixed assets	(54,741)	(188,906)
Interest receivable and similar income	27,117	2,682
Net cash provided by investing activities	227,229	66,182
Cash flows from financing activities		
Repayments of borrowing	(20,000)	(20,000)
Net cash used in financing activities	(20,000)	(20,000)
Change in cash and cash equivalents in the year	(536,457)	(395,650)
Cash and cash equivalents at the beginning of the year	1,486,847	1,882,497
Cash and cash equivalents at the end of the year	950,390	1,486,847

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

The notes on pages 26 to 56 form part of these financial statements

WATTS GALLERY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies

1.1 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.

1.2 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.

1.3 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.

1.4 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the charity and its subsidiary undertaking drawn up to 31 March 2024.

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 2024 the charity generated a deficit of £286,875 (2023 - deficit of £205,400) on unrestricted funds related to the Gallery's operating activities and a deficit of £12,699,914 (2023 - deficit of £629,520) on restricted and endowment funds related to specific projects or purposes. This results in a net deficit of £12,966,789 for the financial year (2023 - deficit of £834,920).

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
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies (continued)

1.5 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.

1.6 Income and endowments

All income is recognised once the Charity has entitlement to the income, it is probable that the income will be received and the amount of 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.

1.7 Grants receivable

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.

1.8 Donated services

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

WATTS GALLERY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies (continued)

1.9 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

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.

Expenditure on raising funds includes all expenditure incurred by the Group to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the Group's objectives, as well as any associated support costs.

1.10 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.

1.11 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

WATTS GALLERY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies (continued)

1.11 Tangible fixed assets and depreciation (continued)

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, provided on the following bases:

Land and buildings	- 2% on cost
Plant and equipment	- 10% on cost
Motor vehicles	- 15% on cost
Computers, fixtures and fittings	- 10% - 33% on cost

1.12 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 the view of the Trustees, taking into account industry and market conditions and changes. The Trustees do not believe that obtaining more annual valuations by external valuers 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.

1.13 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.

WATTS GALLERY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies (continued)

1.14 Fixed asset investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless the value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and presented as 'Gains/(Losses) on investments' in the Consolidated Statement of Financial Activities.

Investments in subsidiaries are valued at cost less provision for impairment.

1.15 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is determined using the first-in, first-out (FIFO) basis of valuation.

1.16 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.

1.17 Cash at bank and in hand

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.

1.18 Liabilities 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.

1.19 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.

WATTS GALLERY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. Accounting policies (continued)

1.20 Pensions

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.

1.21 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.

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.

WATTS GALLERY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2. Critical accounting estimates and areas of judgement

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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

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.

Critical areas of judgement:

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

Investment property

Valuation of investment property is on the basis of the periodic, independent valuations of an expert. Trustees review the need for revaluation annually and prepare their own internal valuations in between independent valuations being received. 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

3. Income from donations and legacies

	Unrestricted funds 2024 £	Restricted funds 2024 £	Endowment funds 2024 £	Total funds 2024 £	Total funds 2023 £
Donations					
Patrons and Friends	113,264	-	-	113,264	102,848
General Donations	550,383	79,222	120,000	749,605	884,755
Gift aid reclaimed	87,228	-	-	87,228	85,245
Arts Council - National Portfolio Organisations	-	-	-	-	104,540
Arts Council - Trust Transition Fund	-	59,409	-	59,409	-
Total 2024	750,875	138,631	120,000	1,009,506	1,177,388

£750,875 (2023 - £977,388) of the above income was attributable to unrestricted funds, £138,631 (2023 - £200,000) to restricted funds and £120,000 to endowment funds (2023 - £nil).

4. Income from other trading activities

Income from non charitable trading activities

	Unrestricted funds 2024 £	Total funds 2024 £	Total funds 2023 £
Admissions	117,131	117,131	167,720
Tours of Gallery	20,345	20,345	17,954
Sales of goods and services	913,275	913,275	909,255
Learning, events and other income	244,645	244,645	34,990
Total 2024	1,295,396	1,295,396	1,129,919

All of the above income for 2024 and 2023 was attributable to unrestricted funds.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

5. Investment income

	Unrestricted funds 2024 £	Endowment funds 2024 £	Total funds 2024 £	Total funds 2023 £
Dividends receivable from listed investments	173,991	8,589	182,580	183,216
Interest receivable	27,117	-	27,117	2,682
Income from rents	72,273	-	72,273	69,190
Total 2024	273,381	8,589	281,970	255,088

£273,381 (2023 - £246,470) of the above income was attributable to unrestricted funds and £8,589 (2023 - £8,618) to endowment funds.

6. Expenditure on raising funds

Fundraising trading expenses

	Unrestricted funds 2024 £	Total funds 2024 £	Total funds 2023 £
Costs of trading activities	405,924	405,924	393,128
Fundraising and trading - Wages and salaries	555,794	555,794	536,310
Fundraising and trading - Employer NI	35,678	35,678	38,447
Fundraising and trading - Employer pensions	7,734	7,734	8,215
Total 2024	1,005,130	1,005,130	976,100

£135,029 (2023: £128,562) of the above costs were in respect of fundraising and £870,101 (2023: £847,538) were in respect of trading. £933,445 (2023: £968,833) of the above expenditure was attributable to unrestricted funds and £71,685 (2023: £7,267) to restricted funds.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

7. Analysis of expenditure by activities

	Activities undertaken directly 2024 £	Support costs 2024 £	Total funds 2024 £	<i>Total funds 2023 £</i>
Maintaining Watts Gallery and its collection	1,461,954	224,451	1,686,405	1,848,472
Great Studio Project	87,503	30,000	117,503	121,210
Limnerslease Project	2,550	60,000	62,550	32,705
Chapel Restoration Fund	15,833	30,031	45,864	44,954
Physical Energy Fund	96,961	30,000	126,961	126,961
Other Restricted Funds	-	30,000	30,000	-
Total 2024	<u>1,664,801</u>	<u>404,482</u>	<u>2,069,283</u>	<u>2,174,302</u>

£1,554,443 (2023 - £1,583,077) of the above expenditure was attributable to unrestricted funds and £514,840 (2023 - £591,225) to restricted funds.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

8. Analysis of support costs

Support costs allocated to charitable activities

	Activity undertaken directly	Activity support costs	Total 2024	Total 2023
	£	£	£	£
Maintaining Watts Gallery and its collection	178,193	224,451	402,644	272,310
Great Studio Project	-	30,000	30,000	20,000
Limnerslease Project	-	60,000	60,000	30,000
Chapel Restoration Fund	-	30,031	30,031	20,000
Other Restricted Project Management	-	30,000	30,000	20,000
Physical Energy Fund	-	30,000	30,000	30,000
	178,193	404,482	582,675	392,310

Governance costs

	Unrestricted	Restricted	Total 2024	Total 2023
	£	£	£	£
Audit of financial statements	15,000	-	15,000	14,250
Accountancy, consultancy and legal fees	163,193	-	163,193	130,758
	178,193	-	178,193	145,008

Other support costs

	Unrestricted	Restricted	Total 2024	Total 2023
	£	£	£	£
Project management	-	180,031	180,031	120,000
Office expenses	71,278	52,470	123,748	39,526
Telephone	16,164	-	16,164	18,203
Insurances	71,070	136	71,206	64,273
Travel and subsistence	8,746	4,587	13,333	5,300
	167,258	237,224	404,482	247,302

The total value of support costs in the filed 2023 financial statements totalled £294,705. It was identified that these should have in fact been of a value totalling £392,310. This has been amended in the note above for the comparative period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

9. Net movement in funds

Net movement in funds is stated after charging:

	2024	2023
	£	£
Audit fees	15,000	14,250
Depreciation of fixed assets	297,656	272,126
Operating lease charges	13,939	14,591
Decrease in valuation of heritage assets	13,169,573	-
(Increase)/decrease in revaluation of listed investments	(568,279)	246,913
(Increase)/decrease in revaluation of investment property	(102,046)	-

10. Staff costs

	Group 2024	Group 2023	Company 2024	Company 2023
	£	£	£	£
Wages and salaries	1,440,680	1,346,490	1,006,955	926,169
Social security costs	112,988	121,061	88,758	93,829
Contribution to defined contribution pension schemes	34,862	32,829	28,640	25,972
	<u>1,588,530</u>	<u>1,500,380</u>	<u>1,124,353</u>	<u>1,045,970</u>

The 2023 filed financial statements included a group staff costs expense of £1,620,380 and a company staff costs expense of £1,165,970. Upon review, these amounts were shown to be overstated. Therefore, the amounts above in respect of the comparative 2023 period have been updated to £1,500,380 and £1,045,970 respectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

10. Staff costs (continued)

The average number of persons employed by the Group during the year was as follows:

	Group 2024 No.	<i>Group 2023 No.</i>
Tea shop	29	23
Shop	11	13
Commercial gallery	3	3
Management	5	6
Curatorial	1	1
Learning	13	16
Marketing and fundraising	9	8
Finance, estates and administration	12	11
	<u>83</u>	<u>81</u>

The staff full time equivalents were 43 this year (2023: 51).

The number of employees whose employee benefits exceeded £60,000 was:

	Group 2024 No.	<i>Group 2023 No.</i>
In the band £60,001 - £70,000	1	1
In the band £100,001 - £110,000	1	1

The total employee benefits of the key management personnel of the group were £458,908 (2023 - £427,550).

The 2023 filed financial statements disclosed key management personnel costs of £210,264. The comparative costs in these financial statements have been updated to reflect a more accurate representation of the key management personnel costs of the comparative year. The 2023 filed financial statements also disclosed no employees as having received benefits between £60,001 and £70,000; this has been updated to reflect one employee in this band in the note above.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

11. Trustees' remuneration and expenses

During the year one of the trustees, A J Burtenshaw, received total remuneration of £102,838 (2023 - £100,822) and employers pension contributions of £7,562 (2023: £6,790) for the performance of his duties as chief executive of the charity. The payment of remuneration to the trustee who performs the chief executive role is permitted by a provision in the charity governing document, the memorandum and articles of association dated 28 September 2023. Remuneration is paid at market rate and is determined by assessment of performance and achievement of delivery targets which reviewed by the chair and deputy chair of the board of trustees and approved by the finance committee.

Additionally, during the year expenses were reimbursed to one trustee (2023 - one trustee) as follows in performance of his duties as chief executive:

	2024	2023
	£	£
Travel and subsistence	1,648	6,735
Entertainment	846	114
Sundry	464	120
	2,958	6,969
	2,958	6,969

12. Taxation

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

13. Tangible fixed assets

Group

	Land and buildings	Plant & equipment	Total
	£	£	£
Cost or valuation			
At 1 April 2023	8,884,624	2,791,211	11,675,835
Additions	13,600	41,322	54,922
Transfers to investment property	(1,650,000)	-	(1,650,000)
	7,248,224	2,832,533	10,080,757
	7,248,224	2,832,533	10,080,757

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

13. Tangible fixed assets (continued)

Group (continued)

	Land and buildings £	Plant & equipment £	Total £
Depreciation			
At 1 April 2023	1,436,471	2,448,912	3,885,383
Charge for the year	139,070	158,586	297,656
At 31 March 2024	<u>1,575,541</u>	<u>2,607,498</u>	<u>4,183,039</u>
Net book value			
At 31 March 2024	<u>5,672,683</u>	<u>225,035</u>	<u>5,897,718</u>
<i>At 31 March 2023</i>	<u>7,448,153</u>	<u>342,299</u>	<u>7,790,452</u>

WATTS GALLERY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

13. Tangible fixed assets (continued)

Company

	Land and buildings £	Plant and equipment £	Total £
Cost or valuation			
At 1 April 2023	8,884,624	2,595,290	11,479,914
Additions	13,600	41,321	54,921
Transfers to investment property	(1,650,000)	-	(1,650,000)
At 31 March 2024	<u>7,248,224</u>	<u>2,636,611</u>	<u>9,884,835</u>
Depreciation			
At 1 April 2023	1,436,471	2,317,049	3,753,520
Charge for the year	139,070	144,322	283,392
At 31 March 2024	<u>1,575,541</u>	<u>2,461,371</u>	<u>4,036,912</u>
Net book value			
At 31 March 2024	<u>5,672,683</u>	<u>175,240</u>	<u>5,847,923</u>
At 31 March 2023	<u>7,448,153</u>	<u>278,241</u>	<u>7,726,394</u>

A transfer of £1,650,000 has been reflected in relation to a property included within freehold property which the Trustees deem to be investment property as of 31 March 2024.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

14. Heritage assets

Group

Assets recognised at valuation

	Heritage assets 2024 £
Carrying value at 1 April 2023	22,765,564
Additions	120,000
Revaluations	(13,169,573)
	<u>9,715,991</u>

The addition in the year relates to a gift of an asset via the Governments' Acceptance in Lieu scheme, run by Arts Council England. There were no additions to heritage assets since the year ended 31 March 2019 other than the addition above.

Revaluations

The valuation recognised in the prior year financial statements was based on a valuation prepared by Christie's in respect of the year ended 31 March 2012.

Christie's have prepared a partial valuation for the year ended 31 March 2024 on a sample of the heritage assets the Charity holds.

The financial statements have reflected a decrease in valuation based on the results of this valuation and on the basis that the valuation of the sample of assets selected is consistent across the whole collection of heritage assets. The Trustees consider this valuation to show a true and fair view of the valuation of heritage assets.

The Trustees will assess the valuation on an annual basis to consider whether subsequent valuation adjustments are required.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

14. Heritage assets (continued)

Assets recognised at valuation

	Heritage assets 2024 £
Carrying value at 1 April 2023	22,765,564
Additions	120,000
Revaluations	(13,169,573)
	<hr/> 9,715,991 <hr/> <hr/>

WATTS GALLERY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

15. Fixed asset investments

Group	Listed investments £
Cost or valuation	
At 1 April 2023	6,278,075
Revaluations	568,279
At 31 March 2024	<u>6,846,354</u>
Net book value	
At 31 March 2024	<u>6,846,354</u>
At 31 March 2023	<u>6,278,075</u>

Charity	Investments in subsidiary companies £	Listed investments £	Total £
Cost or valuation			
At 1 April 2023	1	6,278,075	6,278,076
Revaluations	-	568,279	568,279
At 31 March 2024	<u>1</u>	<u>6,846,354</u>	<u>6,846,355</u>
Net book value			
At 31 March 2024	<u>1</u>	<u>6,846,354</u>	<u>6,846,355</u>
At 31 March 2023	<u>1</u>	<u>6,278,075</u>	<u>6,278,076</u>

Principal subsidiaries

Watts Gallery Trading Limited is a subsidiary undertaking of the Charity.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

15. Fixed asset investments (continued)

Details of undertakings

Watts Gallery Trust owns 100% of the shares & voting rights in Watts Gallery Trading Limited, a company incorporated in England and Wales (company registered number: 07184982). The principal activity of Watts Gallery Trading Limited is that of a tea & gift shop.

The registered office address of Watts Gallery Trading Limited is Down Lane, Compton, Guildford, Surrey GU3 1DQ.

The profit for the period of Watts Gallery Trading Limited was £43,174 (2023: £61,717) and the aggregate amount of capital and reserves at the end of the period was £1 (2023: £1). The profit is stated after making a distribution of profits to Watts Gallery Trust of £43,174 (2023 - £61,717).

16. Investment property

Group

	Investment property £
Valuation	
At 1 April 2023	763,840
Revaluation	102,046
Transfer from Tangible fixed assets	1,650,000
	2,515,886
At 31 March 2024	2,515,886

Charity

	Investment property £
Valuation	
At 1 April 2023	763,840
Revaluation	102,046
Transfer from Tangible fixed assets	1,650,000
	2,515,886
At 31 March 2024	2,515,886

The valuation recognised in the prior year financial statements was based on a valuation prepared by Batcheller Monkhouse in respect of the year ended 31 March 2011. The Trustees have prepared an internal valuation for the year ended 31 March 2024 which takes into account market conditions and estimated movements in similar property prices since the date of the previous valuation.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

16. Investment property (continued)

The financial statements have reflected an increase in valuation based on the findings of the Trustees, and the Trustees consider this valuation to show a true and fair view of the valuation of the property.

The Trustees will assess the valuation on an annual basis to consider whether subsequent valuation adjustments are required.

A transfer of £1,650,000 has been reflected in relation to a property included within freehold property which the Trustees deem to be investment property as of 31 March 2024.

17. Debtors

	Group 2024 £	<i>Group 2023 £</i>	Company 2024 £	<i>Company 2023 £</i>
Due within one year				
Trade debtors	11,302	8,593	8,448	6,833
Amounts owed by group undertakings	-	-	71,650	138,073
Other debtors	215,693	120,210	208,123	112,251
Prepayments and accrued income	882	3,000	882	3,000
	<u>227,877</u>	<u>131,803</u>	<u>289,103</u>	<u>260,157</u>

18. Creditors: Amounts falling due within one year

	Group 2024 £	<i>Group 2023 £</i>	Company 2024 £	<i>Company 2023 £</i>
Bank loans	20,000	20,000	-	-
Other loans	136,800	-	136,800	-
Trade creditors	32,289	156,388	958	123,182
Other taxation and social security	55,222	12,573	53,560	12,573
Other creditors	20,565	12,671	19,027	11,515
Accruals and deferred income	64,439	55,632	34,431	31,972
	<u>329,315</u>	<u>257,264</u>	<u>244,776</u>	<u>179,242</u>

Included in other loans is £136,800 (2023 - £136,800) secured on the Charity bank account. The repayment date is 1 February 2025. 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

19. Creditors: Amounts falling due after more than one year

	Group 2024	<i>Group</i> 2023	Company 2024	<i>Company</i> 2023
	£	£	£	£
Bank loans	33,333	53,333	-	-
Other loans	-	136,800	-	136,800
	33,333	190,133	-	136,800

Included in bank loans is a £53,333 (2023 - £73,333) Coronavirus Business Interruption Loan with a nominal interest rate of 2.21% per annum, of which £20,000 (2023: £20,000) is repayable within one year and £33,333 (2023: £53,333) is repayable in more than one year. The loan term is 5 years to November 2026.

20. Charity status

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

21. Statement of funds

Statement of funds - current year

	Balance at 1 April 2023 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 March 2024 £
Unrestricted funds					
Watts Gallery	1,477,071	2,319,652	(2,558,573)	(47,954)	1,190,196
Endowment funds					
Mrs M S Watts Will Trust	411,206	-	-	37,393	448,599
Watts Gallery Permanent Endowment	3,192,346	-	-	295,448	3,487,794
Collection	22,790,776	120,000	-	(13,169,573)	9,741,203
Catalyst Endowment	1,065,511	8,589	-	89,106	1,163,206
G F Watts Book Fund	3,937	-	-	-	3,937
Watts Gallery Expendable Endowment	718,965	-	-	61,829	780,794
	<u>28,182,741</u>	<u>128,589</u>	<u>-</u>	<u>(12,685,797)</u>	<u>15,625,533</u>
Restricted funds					
Gallery Restoration Fund	3,693,980	-	(96,961)	-	3,597,019
Graham Robertson Trust Fund	75,642	-	-	-	75,642
Other	54,866	138,631	(124,528)	-	68,969
Great Studio Project	2,841,789	-	(117,503)	84,503	2,808,789
Limnerslease	1,899,313	-	(62,550)	150,000	1,986,763
Chapel Restoration Fund	59,803	-	(30,000)	-	29,803
Physical Energy Fund	588,477	-	(84,298)	-	504,179
	<u>9,213,870</u>	<u>138,631</u>	<u>(515,840)</u>	<u>234,503</u>	<u>9,071,164</u>
Total of funds	<u><u>38,873,682</u></u>	<u><u>2,586,872</u></u>	<u><u>(3,074,413)</u></u>	<u><u>(12,499,248)</u></u>	<u><u>25,886,893</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

21. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 April 2022</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2023</i>
	£	£	£	£	£	£
Unrestricted funds						
Watts Gallery	1,682,471	2,353,777	(2,679,177)	120,000	-	1,477,071
Endowment funds						
Mrs M S Watts Will Trust	427,453	-	-	-	(16,247)	411,206
Watts Gallery Permanent Endowment Collection	3,320,716	-	-	-	(128,370)	3,192,346
Catalyst Endowment	22,790,776	-	-	-	-	22,790,776
G F Watts Book Fund	1,095,609	8,618	-	-	(38,716)	1,065,511
Watts Gallery Expendable Endowment	3,937	-	-	-	-	3,937
	745,829	-	-	-	(26,864)	718,965
	<u>28,384,320</u>	<u>8,618</u>	<u>-</u>	<u>-</u>	<u>(210,197)</u>	<u>28,182,741</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 Chapel Restoration Fund	1,932,018	-	(2,705)	(30,000)	-	1,899,313
	79,803	-	-	(20,000)	-	59,803

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

21. Statement of funds (continued)

Statement of funds - prior year (continued)

	<i>Balance at 1 April 2022</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2023</i>
	£	£	£	£	£	£
Physical Energy Fund	643,432	-	(24,955)	(30,000)	-	588,477
	<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>
Total of funds	<u><u>39,708,602</u></u>	<u><u>2,562,395</u></u>	<u><u>(3,150,402)</u></u>	<u><u>-</u></u>	<u><u>(246,913)</u></u>	<u><u>38,873,682</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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.

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

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

23. Summary of funds

Summary of funds - current year

	Balance at 1 April 2023 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 March 2024 £
General funds	1,477,071	2,319,652	(2,558,573)	(47,954)	1,190,196
Endowment funds	28,182,741	128,589	-	(12,685,797)	15,625,533
Restricted funds	9,213,870	138,631	(515,840)	234,503	9,071,164
	<u>38,873,682</u>	<u>2,586,872</u>	<u>(3,074,413)</u>	<u>(12,499,248)</u>	<u>25,886,893</u>

Summary of funds - prior year

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
General funds	1,682,471	2,353,777	(2,679,177)	120,000	-	1,477,071
Endowment funds	28,384,320	8,618	-	-	(210,197)	28,182,741
Restricted funds	9,641,811	200,000	(471,225)	(120,000)	(36,716)	9,213,870
	<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>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

24. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2024 £	Restricted funds 2024 £	Endowment funds 2024 £	Total funds 2024 £
Tangible fixed assets	467,185	5,430,533	-	5,897,718
Fixed asset investments	-	1,018,054	5,828,300	6,846,354
Investment property	640,244	1,875,642	-	2,515,886
Heritage assets	-	-	9,715,991	9,715,991
Current assets	355,319	883,388	34,885	1,273,592
Creditors due within one year	(239,219)	(136,453)	46,357	(329,315)
Creditors due in more than one year	(33,333)	-	-	(33,333)
Total	1,190,196	9,071,164	15,625,533	25,886,893

Analysis of net assets between funds - prior period

	Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total funds 2023 £
Tangible fixed assets	531,634	7,258,818	-	7,790,452
Fixed asset investments	-	933,549	5,344,525	6,278,074
Investment property	75,642	688,198	-	763,840
Heritage assets	-	-	22,765,564	22,765,564
Current assets	1,132,891	517,606	72,652	1,723,149
Creditors due within one year	(209,763)	(47,501)	-	(257,264)
Creditors due in more than one year	(53,333)	(136,800)	-	(190,133)
Total	1,477,071	9,213,870	28,182,741	38,873,682

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25. Reconciliation of net movement in funds to net cash flow from operating activities

	Group 2024 £	<i>Group 2023 £</i>
Net expenditure for the period (as per Statement of Financial Activities)	(12,986,789)	<i>(834,920)</i>
Adjustments for:		
Depreciation charges	297,656	<i>272,126</i>
(Gains)/losses on investments	(670,325)	<i>246,913</i>
Dividends, interests and rents from investments	(281,970)	<i>(255,088)</i>
Decrease/(increase) in stocks	9,174	<i>(8,936)</i>
Decrease/(increase) in debtors	(96,255)	<i>102,875</i>
Increase/(decrease) in creditors	(64,750)	<i>35,198</i>
Decrease in valuation of heritage assets	13,169,573	<i>-</i>
Non-cash donations received	(120,000)	<i>-</i>
Net cash used in operating activities	(743,686)	<i>(441,832)</i>

26. Analysis of cash and cash equivalents

	Group 2024 £	<i>Group 2023 £</i>
Cash in hand	950,390	<i>1,486,847</i>
Total cash and cash equivalents	950,390	<i>1,486,847</i>

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NOTES TO THE FINANCIAL STATEMENTS
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27. Analysis of changes in net debt

	At 1 April 2023	Cash flows	At 31 March 2024
	£	£	£
Cash and bank - unrestricted	284,033	(198,448)	85,585
Cash and bank - restricted	1,202,814	(338,009)	864,805
Debt due within 1 year	(20,000)	(136,800)	(156,800)
Debt due after 1 year	(190,133)	156,800	(33,333)
	<u>1,276,714</u>	<u>(516,457)</u>	<u>760,257</u>

28. 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.

29. Operating lease commitments

At 31 March 2024 the Group and the Charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	Group 2024	Group 2023	Company 2024	Company 2023
	£	£	£	£
Not later than 1 year	15,276	14,591	15,276	14,591
Later than 1 year and not later than 5 years	11,185	26,461	11,185	26,461
	<u>26,461</u>	<u>41,052</u>	<u>26,461</u>	<u>41,052</u>

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30. Related party transactions

During the year the group entered into 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 £7,515 (2023 - £260,000). At the balance sheet date the amount due to/from Trustees and organisations in which trustees have a controlling interest was £Nil (2023 - £Nil).