

MUSEUMS AND GALLERIES ACT 1992

Presented to Parliament pursuant to Museums and Galleries Act 1992, section 9(8)

National Portrait Gallery Annual Report and Accounts 2008-2009

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 16 JULY 2009

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TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

INTRODUCTION

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31 March 2009. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and are presented in accordance with the reporting requirements of the Statement of Recommended Practice (revised 2005), *Accounting and Reporting by Charities*.

The Annual Report sets out:

- the Gallery's structure, governance and management, including administrative details of the Gallery, its Trustees and advisers; and
- our aims and objectives, our strategy in achieving them, highlights of our performance during the past year (including performance against the agreed targets set by the Department for Culture, Media and Sport) and our plans for future periods.

STRUCTURE, GOVERNANCE AND MANAGEMENT (INCLUDING ADMINISTRATIVE DETAILS)

Constitution

The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established. The National Portrait Gallery is recognised as an exempt charity under the provisions of the Charities Act 1993.

History and Background

The National Portrait Gallery was founded in 1856 to collect and display portraits of eminent British men and women. The first acquisition to be registered was the portrait of Shakespeare, known as the 'Chandos' portrait. From its earliest days the Gallery has also collected extensive reference material relating to portraiture which has developed into a unique national resource. In the 1960s the Photographs Collection was revitalised and in 1969 portraits of living people were for the first time regularly admitted to the collection. Today it is among the largest and most prestigious collections of portraits in the world.

As well as a permanent display of portraiture from the sixteenth century to the present day, the Gallery provides a wide range of special exhibitions and displays. The Gallery's Learning department runs extensive education and outreach programmes for schools, colleges, families and visitors in general, promoting access to and understanding of the collections to a broad range of audiences.

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 11,000 portraits of the most famous people in British history. Of these more than 4,150 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 6,800 works on paper, shown on a rotating basis of about 300 items a year. Normally items not on display can readily be made available for viewing via the Collections Registrar. The Collection is also made widely available via the Portrait Explorer in the IT Gallery, by CD-Rom, on the internet (at www.npg.org.uk) and in Gallery and other publications.

The Gallery also holds Reference Collections as a national resource; they form an image bank of the nation's famous and less famous faces. They are used for study and exhibition, and have been extensively reproduced in books and other publications. There are more than 320,000 images in the Reference Collections, divided between the Archive Collection of about 80,000 items, mainly prints but also 2,000 drawings, 60 paintings and 100 sculptures, almost all relatively modest in nature, and the Photographs Collection of more than 240,000 photographs and historic negatives. The Heinz Library contains 35,000 books and some manuscripts.

The collection has been housed at St Martin's Place since 1896. The building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Sir Joseph (later Lord) Duveen. 1993 saw the opening of a permanent home in Orange Street for the Gallery's archive and library, funded by the Drue Heinz Foundation, together with new offices and a conservation studio. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, improved visitor facilities and a new

lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors. In 2004, the refurbished Regency display in the Weldon Galleries completed a ten year programme of buildings renewal.

The Gallery has ongoing national partnerships with Montacute House in Somerset, Beningbrough Hall in Yorkshire (both National Trust properties) and at Bodelwyddan Castle in Clwyd (by arrangement with Bodelwyddan Castle Trust). Partnerships have also been formed with museums and galleries in the North East and the South West of England, and there are ongoing loan and display arrangements with other galleries and homes.

Structure, Governance and Management

The Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport. A Board of sixteen trustees (including the Gallery's two *ex-officio* Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. Outside Trustee meetings, it is assumed that they will make themselves available for consultation and specialist advice, whenever appropriate, as well as acting externally as advocates for the Gallery and assisting in the processes of fund-raising. There is a committee of the Board which covers audit and compliance. The Gallery also has a development board to support fundraising initiatives.

A list of Trustees during 2008/09 and up to the date on which the accounts were signed is at page 26. Following their appointment, new Trustees are given a Trustees' handbook, policy papers and a full induction about the National Portrait Gallery and their terms of appointment, duties, rights and responsibilities. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held, which is open to the public and can be accessed in The Heinz Archive and Library.

The Director of the Gallery is Sandy Nairne. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual strategic review day.

The Gallery has regular Curatorial meetings, where all matters relating to acquisitions and loans are discussed, an Exhibitions Committee and groups for the development of Displays, Design, Publications, Digital Programmes, National Programmes and Interpretation.

Details of the Gallery's external advisers are at pages 26 and 27.

The Gallery's address is 2 St Martin's Place, London, WC2H 0HE.

OBJECTIVES

Objects and Key Policies of the Gallery

The overall aims of the Gallery, derived from the Museums and Galleries Act 1992, are:

- To promote through the medium of portraits the appreciation and understanding of the men and women who have made and are making British history and culture
- To promote the appreciation and understanding of portraiture in all media.

In pursuing these aims the Gallery recognises the need to make the most efficient use of its assets and to generate income to supplement government grants. This income is generated from activities such as sponsorship, corporate and individual membership schemes, publishing and trading. Grant-giving bodies provide welcome support for acquisitions and projects. The Gallery has had a number of successful fundraising campaigns for its capital projects and major acquisitions.

The Gallery does not charge for general access to permanent Collection displays. Temporary exhibitions are partially funded by sponsorship, by admission charges for exhibitions in the Wolfson and Porter Galleries, and by

retail sales associated with the exhibitions made through the Gallery's wholly owned trading subsidiary company. Earning revenue in addition to the government's Grant-in-Aid allows a wider public programme to be offered.

The National Portrait Gallery is an equal opportunities employer. The development of working practices and a working environment that facilitate this, in particular with regard to the employment of disabled persons, are key objectives, as embodied in its combined Equality Scheme (see page 18). The Gallery has a comprehensive policy and training programme aimed at securing the health, safety and welfare of its employees.

Gallery employees are involved in the development of policies, strategic and corporate plans and performance targets through corporate planning and performance management procedures. Management meetings and newsletters provide a regular means for the consideration of issues and dissemination of information to staff throughout the year. Regular meetings between staff and management ('Whitley Council' meetings) provide a forum for discussion of staff issues. The Gallery continues to receive valuable support from volunteers, as detailed on page 18.

Objectives and Performance Indicators

The three-year Funding Agreement with the Department for Culture, Media and Sport for 2008 to 2011 includes sixteen key performance indicators relating to audience profile, learning and outreach, visitor satisfaction, income generation and regional engagement. Funding Agreement performance indicators are reviewed quarterly by Trustees and annually by DCMS. Reference is made to these indicators throughout the Annual Report with the Gallery's performance in 2008/09 (with comparators for previous years, where appropriate) detailed on pages 28 and 29.

The 2009 to 2012 Corporate Plan established six primary objectives for the Gallery's three-year business plans as follows:

Charitable activities

- To extend and broaden the range of audiences for the National Portrait Gallery and its work;
- To develop the Collection, creating opportunities for acquisition and commission, while improving its care and conservation;
- To increase the understanding of and engagement with the Collection and its subjects through bringing more of the reference collections into use, and through outstanding research, displays and exhibitions, education, access, publishing, information, regional and digital programmes, and a higher national and public profile;

Increasing and developing resources

- To maximise the financial resources available through both public and private sector support, trading and licensing and through the effective management of the Gallery's assets and resources;
- To develop staff as an essential resource through the extension of staff diversity, training, development and learning programmes; and
- To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards, including processes, systems, collection storage and staff accommodation.

DCMS Peer Review

During the year the Gallery participated in a pilot of a new system of self-assessment and peer review developed by the DCMS. The peer reviews arose out of recommendations made in Sir Brian McMaster's report "Supporting Excellence in the Arts: From Measurement to Judgement", published in January 2008. The report recommended the introduction of new systems of self-assessment and peer review for cultural institutions focused on judgement rather than measurement in order to encourage and reward excellence, innovation and risk-taking.

The Gallery received a very favourable report from the peer review, which can be viewed on the DCMS website at (http://www.culture.gov.uk/what_we_do/museums_and_galleries/default.aspx).

ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

1) Extending and broadening audiences

Visitor numbers

This has been the most successful year to date for visits to the Gallery and we have seen some of the highest individual figures for visitors to exhibitions. Throughout the year we have continued to attract new audiences, working with a range of promotional partners.

There were 1.83 million visits during 2008/09, a year-on-year increase of 12% over the number of visits in 2007/08 (1.64 million visits). Much of this is due to the very popular programme of exhibitions. Over 142,000 visitors saw *Annie Leibovitz: A Photographer's Life*, making it the third most popular ticketed exhibition at the Gallery, and *Vanity Fair Portraits* was the fifth most attended, attracting 121,000. We undertook a successful re-brand of the *Taylor Wessing Photographic Portrait Prize 2008*, which attracted 273,000 visitors, making it the most popular exhibition in the Gallery's history, and *Wyndham Lewis Portraits* attracted 39,000, double its predicted attendance target.

We introduced an audience development marketing role to focus on new and key target audiences. Work began on promoting Gallery events with a wide variety of partners, including the University of the Arts and Asia House. Other projects have included the development of a new Gallery Access booklet and, for the first time, foreign-language visitor information in Russian, Polish, Hindi, Gujarati and Urdu. Work will continue in 2009/10 with targeted campaigns for *Gay Icons* and *The Indian Portrait*.

Major underground, bus and press campaigns were undertaken and promotional activities included partnerships with Transport for London, GLA, Visit London, the German National Tourist Office and the East of England Tourist Board. Research has shown that a significant proportion of visitors are finding out about the Gallery through marketing channels; 79% had seen some form of print or advertising.

Market research and evaluation

The Gallery's programme of audience research has continued with a year-round exit survey and major qualitative project. Results indicate that the Gallery continues to attract a younger audience – 45% of all visitors were aged under thirty-four – (49% in 2007/08) and has increased the proportion of overseas visitors to 37% (compared to 34% in 2007/08). Enjoyment and satisfaction levels remain very high, with 58% rating their visit 'very good' (compared to 48% in 2007/08).

We are planning a new generic marketing campaign to promote the Collection. This will be seen for the first time during summer 2009, together with a new and improved floor plan.

Late night opening

In addition to continuing our successful programme of film screenings and high-profile guest lectures, the Gallery is planning a series of celebratory late night events throughout the year in relation to its 2009/10 exhibition programme.

During the year the popular Friday music programme continued to attract regular and new performers and audiences alike. Alongside this programme we were one of twenty-four sites for an innovative music project supported by the PRS Foundation entitled the *Fragmented Orchestra*. New partnerships are planned for 2009/10, along with continued associations such as that with the Royal College of Music.

Families and young people

The increase in families visiting the Gallery was sustained this year with 8% of groups including children.

New family-friendly activities have been introduced this year to provide different ways of exploring the permanent Collection. These encourage looking and seeing, telling stories or inquiring and discovering through inter-generational learning. *Look at Me*, a collectable set of monthly activity cards in the Victorian galleries, has been produced, with a set for the Stuart galleries to follow later this year. As families continue to be a priority audience for the Gallery, further initiatives are planned. These include a discovery trail, *Keeping Secrets*, and an Audio Guide

specifically for children aged 8–11.

The Gallery's Youth Forum for young people aged 14–21 has established itself this year. The members created a mission statement and brand identity for the Forum and the Young People's programme by working collaboratively with an external branding agency and in-house marketing expertise. They planned and produced their own late night music event at the Gallery entitled *Youth Forum Presents*, to promote their activity and attract new members. The programme embraced a mix of musical genres including classical, indie and rap and grime. The Forum is using social networking sites to create a dialogue and increase awareness of the Gallery's programme and special projects for young people.

Adults, schools and colleges

The Gallery has attracted 90,000 visits from learners to the Gallery this year, 85,000 of them in on-site programmes.

New programmes for secondary art were launched in September 2008. These included the *Meet the Artist* programme, which aims to connect students with practising artists through recent contemporary commissions, enabling them to explore their ideas, practice and experiences at first hand. As part of *Meet the Artist*, Darvish Fakhr gave two very successful Q&A sessions about his newly commissioned portrait of dancer Akram Khan. Other new sessions included *Image and Identity*, *Crack the Codes* and *Photography and Contemporary Portraiture*.

The Gallery was one of nine national museums involved in the *National Museums Online Learning* project. Interactive web-quests on Painting Elizabeth I, Votes for Women, Heroes of Abolition and Beyond Portraits were developed for Key Stages (KS) 1-4. This ambitious Treasury-funded project enabled the Gallery to connect its remarkable stories of individual achievement with other relevant collections.

This year Tristram Hunt delivered the third lecture in memory of the former Director, Dr John Hayes. This lecture completes the series funded by Lowell Libson Limited.

The Adult programme established a strong presence at the Gallery this year with a diverse range of speakers contributing to a vibrant season of films, courses, lectures and talks.

Highlights included the première of Jake Auerbach's latest film about artist Paula Rego, followed by an 'in conversation' event between Auerbach and Rego in which they took questions from the audience. The film was a moving and intimate portrait of Paula, covering her life from her retrospective exhibition in Madrid to her studio in London.

Chinese Pop Divas: Their Stories and Songs was staged to celebrate Chinese New Year. Biographical stories of three women were woven between their songs and the style of music – Shidaiqu, a fusion of Chinese folk music and western pop – charted their lives from Shanghai in the 1930s to Hong Kong in the 1960s and contemporary China. Two sell-out performances attracted a young and diverse British-Chinese audience.

Plans are developing for the next year to maximise the strong interest in late events, talks and courses.

Outside the Gallery

A specialised programme for vulnerable young people and looked-after children, adults with mental health issues, adults with basic literacy needs and elders has been delivered off-site to 300 people in hospital schools and community centres in Westminster, Hackney, Camden, Lewisham, Southwark, Lambeth and Haringey. The programme operated at capacity this year.

A series of photographic projects for elders has been created through external partnerships. Elders at Blackfriars Centre developed a greater understanding of contemporary photographic portraiture and produced their own creative response to the *Taylor Wessing Photographic Portrait Prize*. Caribbean elders at Sutton House, in Hackney, worked with a portrait photographer in a reminiscence project to record their memories of 1948 and arriving in London, then an Olympic city.

The Gallery devised a new English for Speakers of Other Languages (ESOL) programme in collaboration with specialist teachers in Westminster. The programme is designed for Entry Levels 1, 2 and 3 and provides tutors and their pupils with the opportunity to bring the ESOL Curriculum materials and citizen topics to life.

Children In Need fund CHANCE UK's mentoring programme, and in December the BBC and Children In Need made a short film about CHANCE UK for their section entitled *Where the Money Goes*. The film focused on one of the twenty new mentors trained at the Gallery and their mentee on a weekend visit to the Gallery. The film was shown as part of the 2008 Children In Need night.

The Studio Gallery

After the success of a three-year programme of community-led exhibitions in the Studio Gallery funded by the Heritage Lottery Fund, the Learning department undertook a review of the space, its use and role within its overall strategy for increasing participation. As part of this, a new project with Arabic-speaking families and young people was commenced. Working with a lead artist, an exhibition and an associated programme of public events will be produced each year.

Interpretation

The Gallery developed new interpretative techniques over the last year, one being the use of listening posts to give insights into the ideas and work of artists in relation to their sitters. For the *Taylor Wessing Photographic Portrait Prize 2008* exhibition, interviews with the five winning photographers were recorded and made available to visitors via the audio listening post. We also increased our audio content, adding interviews with artists of recent commissions including Michael Craig-Martin, Jason Brooks and Darvish Fakhr. These will be available on the Gallery's redeveloped website.

The audio guide contract was re-tendered, with a view to creating a new audio-visual experience for adults and families within the next year. Period introductions and way-finding will be just two of the new features included within the tours to provide connections across the collection displays. Additional foreign languages will be introduced to meet demand from overseas visitors.

The acquisition of the Mary Seacole portrait, with support from the Heritage Lottery Fund, will enable the creation of an associated learning programme and a set of digital resources for schools and families. Experts from different fields including cultural historians and community advisers will feed in to the development of the programme with a view to making this available from the new academic year.

National programme

National partnerships

Beningbrough Hall hosted the Visiting Portrait exhibition *Thomas Frye Fancy Heads*, a group of nine prints of unknown sitters. Learning activities based on the exhibition included creative writing sessions to write captions for the 'characters'.

A three-way partnership project between the Gallery, Montacute House and Bristol University saw MA students contributing to the exhibition *On the Nature of Women* through creating interpretation and delivering talks to visitors.

Linking to Liverpool's status as City of Culture 2008, Bodelwyddan Castle hosted the exhibition *Beatles on the Balcony*, organised by the Gallery, during the summer months. Later in the year photographs of *Environmentalists* by Nicola Kurtz were displayed alongside an exhibition of landscapes from the Castle's collection. Interpretation signage designed by Casson Mann and Nick Bell Design was installed in the furnished rooms.

People, Places and Portraits

The Gallery worked with Plymouth City Museum & Art Gallery, Museums Sheffield, Sunderland Museum & Winter Gardens, Montacute House and Beningbrough Hall on the National/Regional Museums Partnerships Education programme, which is supported by DCMS/DCSF Strategic Commissioning funding. The partners jointly selected an exhibition from the Collection, *Family Album*, which included paintings, drawings and photographs, explored family life and relationships in Britain from Tudor times to the present day. The exhibition toured to those venues with exhibition spaces, and had strong connections to the works on display at the two country house partnerships. The theme formed the basis of a series of shared resources developed by partners, including a digital Teachers' Resource Pack and a digital web-quest as well as locally organised activities.

Regional museums hubs

Relationships with the North East and South West Museums Hubs have continued to develop, with both Hubs taking part in partnership activities connected to the *Subject Specialist Network* and the *Effective Collections* scheme; Hub museums are also involved in the Strategic Commissioning projects.

Loans

The Gallery took part in an *Effective Collections* pilot project to make more long-term loans to regional venues. The project was organised by the Museums Association with funding from the Esmée Fairbairn Foundation and six works with strong regional connections were agreed for loan to six venues.

In the past year the Gallery has lent a total of 832 items to 88 exhibitions or short-run displays at a wide range of other institutions in the UK, from *Van Dyck and Britain* at Tate Britain and *Renaissance Faces: From Van Eyck to Titian* at the National Gallery to *Women of Runnymede* at Chertsey Museum and *Alfred Russell Wallace* at the Radnorshire Museum, Llandrindod Wells, as well as a series of *Guest Star Portraits* lent over a period of a year to the Garman Ryan Collection at the New Art Gallery, Walsall.

147 items were lent to 29 exhibitions abroad, ranging from eighty photographs for *Cecil Beaton* at the Danish Nationalhistoriske Museum, Frederiksborg, to the newly discovered portrait of Mary Queen of Scots for the exhibition *Marie Stuart, Le Destin français d'une reine d'Ecosse* at the Château Ecoeu, Paris.

Subject Specialist Network: Understanding British Portraits

The Gallery hosted the second Network seminar for over sixty museums and galleries. An additional half-day seminar was hosted by the North East Museums Hub around regional portraiture in the North East. Mapping of collections and expertise as well as regular news updates continued on the Network's website (www.portraits.specialistnetwork.org.uk). Placements have been made by members of the Steering Group and the Gallery for those wishing to research portraits for audiences.

Media collaboration

During the year the Gallery developed high-profile partnerships with broadcast, website and print media. The Annie Leibovitz exhibition enabled the Gallery to secure an edited version of the film *A Life through the Lens* on BBC One's *Imagine*, major features with commissioned photo shoots of Leibovitz by David Bailey and Platon in *Vogue* and the *Sunday Times Magazine* and an interview with Annie Leibovitz for the *BBC News*. These collaborations meant that the Gallery was highlighted to 17 million UK readers and viewers. Illustrated stories ran in most national newspapers and Annie Leibovitz was interviewed by Sir David Frost for Al-Jazeera TV.

News coverage of the *Taylor Wessing Photographic Portrait Prize 2008* was widespread. Ben Okri's essay from his catalogue introduction was published by the *Independent*. A catalogue essay by Alexander McCall Smith for the *BP Portrait Award 2008* appeared in the *Guardian* in June.

Wyndham Lewis Portraits was one of the most extensively reviewed of recent Gallery exhibitions. The two spring 2009 exhibitions *Gerhard Richter Portraits* and *Constable Portraits* were favourably reviewed by most broadsheet papers. Gerhard Richter gave a rare interview at the Press View to BBC Radio Four's *The Today Programme*.

There was significant news coverage for public appeals, especially the Seacole acquisition, and for commissions including Michael Craig-Martin's portrait of Zaha Hadid. Among displays *Martin Amis and Friends* by Angela Gorgas and *Champions* by Anderson and Low both received high-profile coverage and were featured in the *Sunday Times Magazine*.

2) Developing the Collection

Acquisitions

This was a year of exceptional challenges, with five great acquisitions spanning the centuries: Hans Eworth's *Lady Dacre and her son*, 1559, John Michael Wright's *John Dryden*, c.1668, Joseph Wright of Derby's *Sir Richard Arkwright*, c.1783–5, Albert Challen's *Mary Seacole*, 1869, and Marc Quinn's *'Self', 2006*, a self-portrait cast made from the artist's blood and then frozen.

With rising prices, these portraits would have been far beyond our means but for outstandingly generous support. We were extraordinarily grateful to The Art Fund for its quite exceptional munificence and we also depended greatly on generous grants from the National Heritage Memorial Fund and the Heritage Lottery Fund. For the two most expensive acquisitions, Eworth's *Lady Dacre and her son* and Wright's *Sir Richard Arkwright*, the vital importance of the Gallery's Portrait Fund was demonstrated by its provision of initial funding.

Indispensable to the acquisition of *Lady Dacre and her son* was the significant reduction in price, through tax remission. This long-standing and greatly valued system also facilitated two other acquisitions in recent years, the portraits of John Donne and John Fletcher.

Sir Richard Arkwright was purchased jointly with the Harris Museum & Art Gallery at Preston. It follows earlier joint purchases in 2003 with the Captain Cook Memorial Museum at Whitby and the National Museum Wales (William Parry's *Omai*, *Joseph Banks and Daniel Solander*) and with the National Media Museum, Bradford (Lewis Carroll's photographs of Alice Liddell and her siblings). The National Portrait Gallery welcomes joint acquisitions for major portraits where appropriate and advantageous to the Gallery and its partners.

In building the Collection, the Gallery remains greatly dependent on generous donations. Four photographs of The Queen were given by Annie Leibovitz from her recent exhibition, a bust of Dame Ethel Smythe came from the Gilbert Bayes Charity Trust, while Olwyn Bowey's painting *Lady Antonia Fraser and her daughter* was a gift from Flora Fraser. Several drawings were presented by artists, sitters or their families.

Commissions

A nine-panel portrait of the dancer and choreographer Akram Khan completes a trio of commissions made possible by the Jerwood Charitable Foundation as part of a collaboration celebrating younger achievers in the arts. *BP Portrait Prize* winner Dean Marsh was inspired by the portraits of the nineteenth-century artist J.D. Ingres when painting Kids Company founder Camila Batmanghelidjh, whom he has shown dressed in swathes of silk. The Astronomer Royal and President of the Royal Society, Lord Rees, sat for the artist Benjamin Sullivan in his study at Trinity College, Cambridge, where he is also Master.

Michael Craig-Martin created an innovative computer portrait of the architect Zaha Hadid in which integrated software changes the colours of the work in infinite combinations, a commission made possible by J.P. Morgan through the Fund for New Acquisitions. Works in other media commissioned this year include a silver mask of the former Lord Chief Justice, Lord Bingham, by the sculptor Martin Jennings and Matthew Carr's sensitive drawing of the writer and biographer Sir Michael Holroyd, which extends the Gallery's holdings of contemporary works on paper.

Photographs

A highly important album, *Portraits of Members of the Society in Water Colours, 1864*, was purchased, containing rare Victorian carte-sized photographs, mainly by Cundall, Downes and Co, of subjects such as G.P. Boyce, Henry Gastineau, Margaret Gillies and Frederic Shields.

In all, 336 photographs were acquired and can be accessed at www.npg.org.uk/collections. Contemporary works included the harpist Catrin Finch by Edith Maybin, tennis player Andy Murray by Kaul J. Kaul, Olympic medal-winning cyclist Rebecca Romero by Nadav Kander and champion Grand Prix winner Lewis Hamilton by Dario Mitideri, all of which appeared as 'Photograph of the Month', a useful focus on new acquisitions in the Lerner Galleries.

Five important works were given by New York-based photographer Michael Thompson, including photographs of Keira Knightley and Gwyneth Paltrow. These, with Lord Snowdon's *Lord Grade* and Derry Moore's portrait of Anthony Powell and his wife, were useful outcomes of the *Vanity Fair* exhibition and displays in which these photographers featured. Other groups of photographs formed the basis for successful displays, including poets by Madeline Waller, astronomers by Lucinda Douglas-Menzies, artists in their studios by Eamonn McCabe and fashion designers, commentators, models and photographers by Anna Bauer.

The Heinz Archive and Library

Among significant acquisitions were the purchase of twelve daybooks from the photographic studio of Madame Yevonde and four drawings by Cicely Hey, from 1933 or before, depicting mountaineer William Conway, 1st Baron Conway of Allington, journalist Francis Birrell, art historian Campbell Dodgson and artist Thérèse Lessore. A fifth drawing, of the critic and painter Roger Fry, was given by Janice Goble. Other gifts included three life drawings by Barbara Morris of writer and artists' model Quentin Crisp, c.1940, donated by the artist, and a late nineteenth-century drypoint of poet T.W.H. Crosland by R.G. Mathews, given by Mrs Paulson-Ellis. A collection of photographic records and papers relating to portraits of the Vernatti family was donated by Sir John Guinness.

Care of the Collection

This has been another busy year, from the change-over of the Visiting Portraits exhibition at Beningbrough to the installation of Michael Craig-Martin's time-based media portrait of Zaha Hadid. Time-based works have been a focus, with a review of their documentation, installation and storage, which necessitated working closely with other departments.

Photography required for the *Later Stuarts* catalogue has provided the opportunity to reassess the condition of portraits that have been on long-term loan to other venues. Project planning for the *Later Victorians* catalogue continues.

In addition to the ongoing programme of conservation and examination of portraits in the Collection, a symposium was held this year to discuss the history and treatment of the damaged portrait of Samuel Johnson by Sir Joshua Reynolds. Conservation is under way and the painting will be returned to display to coincide with the 300th anniversary of Dr Johnson's birth. The plaster cast of William Theed's *Queen Victoria and Prince Albert* was repaired after damage by a visitor.

There has been an active programme of preparing works for the Effective Collections loans scheme and the Strategic Commissioning programme in Britain, and for touring the *Cecil Beaton* exhibition of some eighty photographs overseas.

The second Pilgrim Trust intern has started a two-year placement in the Frame Conservation studio. This is already reaping rewards, with research being undertaken into glass cleaning of pictures on display in the galleries.

Work with Tate on the development of the National Art Collections Centre continued and will do so next year.

Portrait Fund

The Gallery's Portrait Fund (the object of which is to assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation) has benefited from substantial support, thanks to the generous commitment from the Lerner Foundation. The Lerner Foundation gift is being made over three years and will be used to build up the Portrait Fund and to enrich specific vital programmes.

The fund operates under its own trust deed; the three founding Trustees of the Portrait Fund are David Cannadine, Amelia Chilcott Fawcett and Lady Douro, from the Gallery's own Board of Trustees. In 2006/07 Sir Christopher Ondaatje (a Gallery Trustee) and Matthew Freud became Trustees of the Portrait Fund.

During 2008/09 the Portrait Fund benefited from the second instalment of the Lerner Gift and a bequest from the estate of Eileen Waddock. The Fund made a significant difference to the development of the Collection, helping to acquire two remarkable portraits – *Sir Richard Arkwright* and the Tudor masterpiece *Lady Dacre and her son*.

For further information about supporting the Gallery and the Portrait Fund please contact Pim Baxter, Communications and Development Director (tel: 0207-312 2448).

3) Increasing the Understanding of and Engagement with the Collection

Alongside the development of the Collection itself, the Gallery researches and creates a large number of loan exhibitions devoted to different aspects of portraiture. The overall purpose of loan exhibitions, together with the digital programme, publishing and the Collection displays, is to increase the wider understanding and enjoyment of portraiture.

Exhibitions

This year has featured strong monographic exhibitions in both painted and photographic media, which have produced a positive reaction in the press and with the public and ensured a lively programme alongside the annual portrait prizes.

Wolfson Gallery

The *BP Portrait Award 2008*, in its twenty-ninth year at the National Portrait Gallery and nineteenth year of sponsorship by BP, received 1,727 entries, from which 55 paintings were selected. The exhibition was seen by 176,378 visitors in London alone. The first prize was awarded to Craig Wyllie, a previous exhibitor, for *K*, and the

other prizes went to Simon Davis and Robert O'Brien, with the prize for an artist under thirty going to Peiyuan Jiang. The exhibition included the work of the *2007 Travel Award* winners, Timothy Hyman and Gareth Reid.

Annie Leibovitz: A Photographer's Life 1990–2005 opened in October 2008, and was shown in the Wolfson as well as the ground-floor galleries. It attracted a great deal of press interest and received 142,000 visitors. The exhibition showed both private photographs and public portraits by Leibovitz and included her recent images of Her Majesty The Queen.

Gerhard Richter Portraits was a landmark exhibition exploring this important aspect of his work and illuminating the startling range of his imagery. It comprised key paintings from international public and private collections and a special installation for *48 Portraits*, Richter's celebrated series of historical figures.

Porter Gallery

Wyndham Lewis Portraits surveyed Lewis's prolific work in the genre. Alongside an important group of self-portraits were featured images of writers connected with his artistic and social circle. The exhibition was seen by nearly 40,000 visitors and met with a very positive critical response. It attracted particular interest from artists, historians and literary scholars as well as the general public.

The 2008 *Taylor Wessing Photographic Portrait Prize* received a record 6,758 entries, from which sixty were selected for the exhibition. First prize was awarded to Lottie Davies, while other prizewinners included Hendrik Kerstens, Catherine Balet and Tom Stoddart. The Godfrey Argent Award was given to Vanessa Winship for the best black and white portrait.

Constable Portraits: The Painter and His Circle, opening in March 2009, was the first comprehensive and scholarly assessment of John Constable's portraits. The presentation focused on his family, friends, acquaintances and commissioned portraits, interspersed with some of his beautiful landscape paintings.

The future

The programme for the coming year mixes photographic exhibitions of the 1960s – *Beatles to Bowie: the 60s exposed* – with *Irving Penn Portraits* and a 300-year view of Indian portraits from 1560 to 1860.

The galleries and displays

The programme of changing displays helps reveal the hidden strengths of the Gallery's collection of works on paper. Increasingly, it also engages with contemporary portrait practice through loan displays and visiting portraits.

Photograph displays with an external focus included 'Want to see more of me?' *Black Film Actors* by Donald MacLellan, a commission funded by the UK Film Council; *Champions: Sporting Portraits* by Anderson & Low, originated to support the Elton John Aids Foundation; *Martin Amis and Friends* by Angela Gorgas; and *Eamonn McCabe: Artists and their Studios*. The series of visiting portraits continued with *Pietro Annigoni: Princess Margaret*, lent by Viscount Linley, and *Frank Auerbach: Four Portraits of Catherine Lampert*.

Displays drawing on the Gallery's Collection included *Painting the Boy King: New Research on Portraits of Edward VI*, and *Shakespeare and his Circle*, the latter celebrating recent acquisitions, while *Henry VIII Remembered* and *Charles I: King and Martyr* both explored the Gallery's substantial holdings of engravings. From later centuries, anniversary displays celebrated Charles Darwin and *The Origin of Species*, Alfred Lord Tennyson, Ellen Terry and Stephen Spender. *War Poets* was complemented by the generous loan of William Rothenstein's portrait of Vera Brittain, author of the World War I memoir *Testament of Youth*.

Several displays highlighted recent acquisitions: *Edwardian Stage and Society* featured drawings by R.G. Mathews, *Quiz: Sketches and Cartoons* by Powys Evans showed a draughtsman well represented in the collection, while *Soft Lights and Sweet Music: Photographs of Elisabeth Welch* featured a leading singer who came to prominence in the 1930s. *Bern Schwartz: Portraits of the 1970s* marked a generously endowed gift from the Bernard Lee Schwartz Foundation. On a more recent note, *Sporting Lives: Contemporary Portraits of Athletes and Olympians* covered the period of the 2008 Olympic Games, while *Faces of Poetry: 20 Photographs* showed a group of young and established poets.

The Lerner Galleries, housing the contemporary collection, were completely rehung during the year and various commissions were celebrated.

Digital developments

Website redevelopment

The Gallery's website redevelopment was completed and the site relaunched in January 2009. The result is a cleaner, more contemporary design that reflects the Gallery's visual identity and institutional aspirations. The restructuring of content means it is much more focused on services used by the public and less along Gallery departmental lines. An easy-to-use navigational system has been established on the left of every page while on the right-hand side visitors are provided with links to related material of interest throughout the site.

New features provide the visitor with an improved service. A new calendar of exhibitions and events makes it easy to find out what is happening at the Gallery on any given day or range of dates. Searching the website has been completely restructured, and search results filtered by type of information. The popular 'Search the Collection' facility, currently with nearly 120,000 portraits, now offers a larger image option. Menu pages are more visual and have been structured to provide links to frequently accessed pages, so that visitors can find key pages on the site more quickly and efficiently. The Gallery's online shop has been revised, with direct payment facilities making shopping easier and more efficient in terms of order fulfilment.

5.7 million visitors made 17.5 million visits to the site, 18% more than last year. The online collection search facility incorporates 120,675 portrait records (up 14% from last year), 63,824 of which are illustrated.

Entry details related to 4,795 photographs were submitted online for the *Taylor Wessing Photographic Portrait Prize 2008*, representing 86% of all submissions (up 21%). The *BP Portrait Award 2009* saw 1,637 entries made online – 84% of all entries (up 1%). These online facilities create great administrative efficiency, freeing up resources to be spent on enhancing public access.

Digital Programmes participated in the development of micro-sites for the *Wyndham Lewis*, *Annie Leibovitz*, *Taylor Wessing Photographic Portrait Prize* and *Gerhard Richter* exhibitions.

The Portrait Explorer and Portrait Printer

Visitors to the IT Gallery using the Portrait Explorer can now discover 31,104 sitters and artists (up 5%) in 62,612 portraits (up 4%). 57,840 portraits (up 17%) are now available via the Portrait Printer digital print service.

Research programmes

Both of the Gallery's major cataloguing projects are nearing publication. The first part of the catalogue of *Later Victorian Portraits* is now fully written and is being edited and prepared for online publication. The research and writing of John Ingamells's *Later Stuarts* is complete and the catalogue is at the picture research and design stage.

Two scholars were appointed to the Leverhulme Fellowship in the History of Portraiture. Carol Jacobi, Associate Lecturer in the Department of History of Art, Film, and Visual Media at Birkbeck College, joined the Gallery for a year to work on 'Isabel Rawsthorne and the Double Portrait', while Ruth Brimacombe, who had recently been awarded her PhD from the University of Melbourne, came to us for four months to work on a project entitled 'Actuality and the portrait: the biographical essays of Sydney Prior Hall'. Past fellows contributed to a newly inaugurated series of staff research seminars and gave public lectures based on their fellowship work.

The *Making Art in Tudor Britain* project made considerable progress and twenty-five pictures underwent a detailed technical survey, which has led to several being redated and re-attributed. A funding application has been resubmitted to the Arts and Humanities Research Council to provide for a further three years' research, two PhD studentships, close collaboration with two academics and research time to interpret and publish the results of this innovative project. We also plan to stage an exhibition around 2013.

This was another productive year for individual members of the Gallery's staff. Carol Blackett-Ord compiled the Index to volumes XI–XX of the journal *Print Quarterly* (1994–2003). Rosie Broadley was awarded an MA with Merit in 'English Literature: Life Writing' from King's College London. Tarnya Cooper published 'Making Art in Tudor Britain, New Research on Paintings at the National Portrait Gallery' in the *British Art Journal* and took a three-month sabbatical to work on her forthcoming book on sixteenth-century and early seventeenth-century Citizen Portraiture. Peter Funnell continued to act as a Consultant Editor for the *Oxford Dictionary of National Biography* and as a member of the Academic Advisory Board for the Cambridge Victorian Studies Group.

Catharine MacLeod wrote an essay jointly with Tarnya Cooper on the portrait collection of John, Lord Lumley, to be included in a volume on the Lumley Inventory to be published by the Roxburghe Club, and gave a paper on Van Dyck and Lely at a conference at Queen Mary College organised in conjunction with the Van Dyck exhibition at Tate Britain. She also started work with Diana Dethloff on the *catalogue raisonné* of the work of Sir Peter Lely, begun by Sir Oliver Millar and Diana Dethloff. Jan Marsh published 'Men: Virtue and Valour' in *Holman Hunt and the Pre-Raphaelite Vision*, edited by Katharine Lochnan and Carole Jacobi, and, with Pamela Gerrish Nunn, 'Fact, Feeling and Femininity: Women Artists amid the Pre-Raphaelite Movement' in *The Pre-Raphaelites*, edited by Mikael Ahlund. She curated exhibitions on *D.G. Rossetti in Vasto*, Palazzo D'Avalos, Vasto (CH), Italy, and *Portraits for Posterity: Holocaust Survivors photographed by Matt Writtle* at City Hall, London.

Paul Moorhouse published *Gerhard Richter Portraits: Painting Appearances*, the monograph accompanying the *Gerhard Richter Portraits* exhibition; "'Things that float, things that fly, things that die': John Hoyland's Recent Paintings" for *John Hoyland*, Lemon Street Gallery, Truro; 'Lynn Chadwick: Sculptor of Attitude' for *Lynn Chadwick*, Beaux Arts Gallery, London; and he reviewed a Bridget Riley exhibition for the *Burlington Magazine*. He continued to act as adviser to the *Oxford Dictionary of National Biography* on twentieth-century art and design and as a member of the Editorial Advisory Panel for *Apollo*.

Sandy Nairne has completed the manuscript of his book on high-value art theft. He has continued to lecture widely, giving the Pilkington Lecture at Whitworth Art Gallery, the De Ferrieres Lecture for Cheltenham Museum and Art Gallery, and a keynote speech for the 2008 public history conference organised by the University of Liverpool, among others. Lucy Peltz co-organised and co-chaired, with Elizabeth Eger, an academic conference to explore further the intellectual themes of *Brilliant Women: 18th Century Bluestockings*. She was awarded a Research Fellowship from the Leverhulme Trust, which has enabled her to devote part of the week to furthering her research on portrait print collecting and extra-illustration in the eighteenth century. The Fellowship lasts until November 2010.

Jacob Simon published an online directory, *British picture restorers, 1630–1950*, on the Gallery's website, which joins those devoted to artists' suppliers and picture framemakers, and he completed a related article for the *Times Literary Supplement* proposing the picture restorer George Barker as the long-lost suitor of the novelist George Eliot.

Cataloguing the Collection

The Gallery will reach its target of having half the collection (160,000) catalogued and available on the Gallery's database in 2009, as 155,452 portraits have now been catalogued. The conversion of nearly 35,000 Photographs Collection index cards is mainly responsible for the 46% growth in records catalogued since last year.

Digital images of over 6,750 previously unillustrated portraits were created, so that there are now 66,059 portraits that have been digitised. During the year a concerted move to digitise larger portrait material has been made thanks to the investment in an A2 scanner.

Cataloguing priorities for the Archive and Library reference collection focused on an extra-illustrated set of the Rev. James Granger's *A Biographical History of England from Egbert the Great to the Revolution*, which was completed in July, and the Large Portfolio collection of prints. In total, 3,030 prints were digitised.

From the Photographs Collection, a further 7,469 items have been catalogued. Of particular note from the Victorian period are 1,000 additional images of the 15,000 items from the Camille Silvy Daybooks, in preparation for the forthcoming exhibition (2010), and 100 further platinotypes by Eveleen Myers. Ongoing work on the Bassano negative archive includes a completely catalogued whole-plate collection. From the twentieth century, recently added portraits by Madame Yevonde and 200 further works from the Ida Kar archive were added.

34,711 records for Photographs Collection portraits were added to Multi-Mimsy, our collections management database, after a two-year process of entering, then analysing, cleaning and standardising the Gallery's paper index cards. It has led to the creation of 9,426 new sitter and artist authorities. These records will start to appear on the website during the course of the year.

Publishing

The Gallery's publishing programme received a number of awards and accolades in 2008/09. The Gallery's largest and most successful trade title to date – *Vanity Fair Portraits: A Century of Iconic Images* – was published in September, selling over 85,000 copies in the first six months and winning the Association for Cultural Enterprise award for best publication. Launched in New York with a multi-channel campaign, including shop window displays along Madison Avenue, television and e-flyers, this book highlights the challenging environment for marketing and selling our publications.

The scale of the *Vanity Fair* trade publication is unprecedented for the Gallery, but it was just one of fourteen projects realised by the publishing team. From the Henry VIII postcard pack to *Gerhard Richter Portraits*, the range of our output continues to embrace history and biography, fine art and photography. Equally, we have worked with three new co-publishers this year to expand distribution of our titles.

The quality of reproduction in the Gallery's books and paper products is essential for understanding the Collection and helps to define our publishing list. This was celebrated when the Gallery won the British Book Design and Production Award for best exhibition catalogue, 2008.

In the face of an unpredictable retail climate, our publications have remained attractive to visitors, and in some instances increased their appeal. The *BP Portrait Award 2008* catalogue achieved its highest pick-up rate on record, selling to over 4% of exhibition visitors and, with 5% now deemed by the sector to be a good rate, *Wyndham Lewis Portraits* and *Gerhard Richter Portraits* both exceeded expectations, appealing to over 8% of visitors. The rebranded *Photographic Portrait Prize 2008* catalogue increased total sales by over 1,000 copies and, in spite of limited availability of stock, we successfully negotiated to ship more copies of *Annie Leibovitz: A Photographer's Life* to the UK to meet exceptional demand.

Gallery books and paper products have reached a large audience, and generated significant revenue. The focus for 2009/10 is to balance the publication of exhibition titles with the development of popular trade titles, and to subsidise scholarly endeavours including the *Later Stuarts* catalogue. Following the success of *A Guide to Tudor and Jacobean Portraits*, we will be launching a new guide to the Gallery and a guide to our contemporary collection this summer.

4) Increasing and Developing Resources

Financial summary

The Gallery received a 2.7% increase in revenue grant-in-aid funding and £640,000 capital funding from the Department for Culture, Media and Sport in 2008/09. As the Gallery's Grant-in-Aid funding represents under half of total income, self-generated income remains crucial to sustaining the breadth and quality of its activities. Self generated income (including trading income) exceeded the Gallery's original budgeted target for the year by 7%. This was due to strong exhibition admission figures arising in particular out of the *Vanity Fair Portraits*, *Annie Leibovitz: A Photographer's Life* and *Wyndham Lewis Portraits* exhibitions, a significant increase in membership achieved in the year, and fluctuations in foreign exchange rates which have substantially increased the value of foreign currency donations. The table on pages 33 and 34 demonstrates that the Gallery has performed well against the majority of performance indicators included as part of the Gallery's Funding Agreement with DCMS.

Voluntary income

Individual support – Patrons

Over the past year the Patrons' group has continued to thrive, and we have maintained our high retention rate of supporters. The Gallery now has a total of 123 Patrons, of whom thirty are Life Patrons.

The exclusive programme of events for Patrons included preview tours and special breakfast viewings of our major exhibitions, as well as unique activities at related arts and cultural organisations. These included a celebration to mark the opening of a new display of Tudor female portraits at Montacute House, with an introduction by the historian Lady Antonia Fraser, two successful Literary Lunches – a stimulating discussion with Victoria Glendinning on her latest biography, *Leonard Woolf*, and a talk from Sir Michael Holroyd on his book *A Strange Eventful History* about Sir Henry Irving and Ellen Terry. A visit to the London studio of the Royal Academician Humphrey Ocean, a curator-led tour of the acclaimed Francis Bacon exhibition at Tate Britain, and an evening reception at Dr Johnson's House were other highlights of the year.

During the autumn we held an evening event in the Victorian Galleries for potential supporters to learn more about the Gallery's permanent Collection. The guests participated in a discussion on prominent literary figures of the era, and afterwards, in the Lerner Galleries, contemporary artist Jason Brooks spoke about his recent commission for the Gallery.

Individual support – Associates

Our Associate group has remained stable over the last year and with their support we have been able to acquire new works for the Photographs Collection.

Associates enjoyed their annual breakfast event in the Portrait Restaurant and tours of *Brilliant Women: 18th Century Bluestockings* and *Vanity Fair Portraits: Photographs 1914–2007* before the Gallery opened to the public.

The annual evening reception at the Gallery, hosted by Jacob Simon, featured discussions on a range of portraits in our Victorian and Early 20th Century collections and special talks with the contemporary artists Darvish Fakhri and Dryden Goodwin.

Following the redevelopment of the website this year, Associate Memberships are now obtainable online and the Gallery can now record electronic Gift Aid declarations on all membership-based transactions through the website.

Individual support – Members

Thanks to the immensely popular exhibitions *Vanity Fair Portraits* and *Annie Leibovitz*, Membership figures have grown significantly this year to over 6,500, with 50% of our Members signing up to Gift Aid.

Following on from the trial Members' desk set up during *Vanity Fair Portraits*, a permanent desk has been installed on the landing space outside the Ondaatje Wing Main Hall. This is a central point for all Membership enquiries, and has not only contributed to the highest Membership figures to date but has helped to alleviate pressure on the Visitor Services team. In the next year it will be fully functioning and able to process all types of payments.

Development Board and Board of American Friends

Chaired by Amelia Fawcett and with Margaret Exley leading the Corporate Advisory Group and Frances Jackson the Individual Group, the Development Board has continued to give invaluable help to Pim Baxter and her team during the year. Many members of the Board bought tables or tickets in support of the Portrait Gala. Our grateful thanks to them all.

In September, member of the Board of American Friends Bridget Colman, with her husband Mark, hosted an evening at their home for other Board members and potential supporters. The evening was attended by the Director, the Chairman and other Gallery colleagues.

We continue to be immensely grateful for the help we receive from both the Development Board and the Board of American Friends.

Grant-giving bodies

Charitable trusts and foundations continue to provide a valuable source of income. The Gallery was delighted to acquire a portrait of the famous black Victorian nurse Mary Seacole. A generous grant from the Heritage Lottery Fund helped to secure this iconic portrait for the nation.

Thanks to support from the John Lyon's Charity, we have started an exciting new three-year project to engage young people and families from Arabic-speaking communities in Ealing, Brent and Barnet.

Following the completion of the first-floor Landing Access Project, all Gallery visitors are able to see displays in the Landing Area (Room 33) via a new lift and corridor. This project was made possible by grants from the DCMS/Wolfson Fund and the H.B. Allen Charitable Trust.

Vodafone UK Foundation continued to be very supportive of our access work and the PRS Foundation and Musicians' Benevolent Fund likewise for our Friday evening free music programme.

Activities for generating funds

Corporate supporters and sponsors

During the year the Gallery has begun to see the effects of the economic downturn, particularly in the areas of corporate membership and venue hire, and most significantly with the loss of Lehman Brothers' sponsorship for the *Gerhard Richter Portraits* exhibition following their collapse in September.

However, there have been some significant corporate partnerships: with new sponsors Bridgepoint for the *Annie Leibovitz* exhibition, which they co-sponsored with returning sponsor Gap, and with British Land for the *Constable Portraits* exhibition. British Land had funded the exterior illumination of the Gallery's façade in 2006. Long-term partner Herbert Smith sponsored the Spring Season for the second year in succession and confirmed their support for 2010. We were also grateful to new sponsor Christie's for their support of the *Wyndham Lewis* exhibition.

We were delighted to work with American Express, the Global Sponsor of *Annie Leibovitz: A Photographer's Life 1990–2005* and to be able to work again with RED, this time on a display of photographs by Leibovitz, commissioned for *Vanity Fair* Magazine and for the Gap(RED) campaign.

The first year of Taylor Wessing's title sponsorship of the *Photographic Portrait Prize* was highly successful, and they provided additional support for two community outreach projects. 'Community Voices' recorded responses to the Prize and ideas from groups at St Mungo's, Blackfriars elders and UCLH.

We celebrated a new commission through the J.P.Morgan Fund for New Commissions with Michael Craig-Martin's portrait of Zaha Hadid and two new *BP Portrait Award* first prizewinner commissions, Stephen Shankland's portrait of Sir Peter Mansfield and Dean Marsh's of Camila Batmanghelidjh. The support of both these companies is invaluable.

In January 2009 the Gallery launched a new programme of benefits for Corporate Members, aimed at providing them with a more flexible and cost-effective package.

Venue hire

During the year corporate supporters took advantage of their partnership with the Gallery to hold a number of private events. They included J.P.Morgan, Towers Perrin and Linklaters, and new members Apax Partners and BT.

Sponsors' events began with the BP Portrait Award in June. Taylor Wessing, Gap, Bridgepoint and the global sponsors of the *Annie Leibovitz* exhibition, American Express, were active in the autumn. Herbert Smith and British Land capitalised on their sponsorships with events in the spring.

Private hire included return clients Hill Martin, Mott MacDonald and Bourjois. New clients included Reed Smith and Debevoise and Plimpton. The UK Film Council and 4 The Record Initiative held receptions linked with Gallery displays.

The Portrait Gala

Following the highly successful Portrait Gala in 2006, when the Gallery celebrated its 150th Anniversary, we held a second Portrait Gala in March 2009. Joanna Trollope chaired a very supportive Gala Committee and we raised over £185,000 net income through table and ticket sales, a number of fundraising activities during the evening and a successful Live Auction, led by Adrian Biddell from Sotheby's. The funds raised are to benefit the work of the Education Programme.

Trading company

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, completed another successful year of trading, making profits of £450k, which it will Gift Aid to the Gallery. The Company's business includes retail, venue hire and the catering franchise. During the year, the Company appointed an independent non-executive director to its Board: Stephen Robertson, Director General of the British Retail Consortium. Stephen brings with him a wealth of experience in the commercial and retail sectors. With his assistance, the Board is drafting a business strategy to strengthen and extend the Company's lines of business in response to the turbulent economic conditions experienced to date and expected in the future.

Retail

Retail achieved its second highest ever sales this year. As always, retail income is influenced by the popularity of the Gallery's exhibitions programme. This year the *Vanity Fair*, *Annie Leibovitz* and *Gerhard Richter* exhibitions all generated significant income, despite the latter two shows' restricted retail space.

Two new management posts were created, with the appointment of a Retail Operations Manager and a Buying Manager. This has led to improvements in merchandising and customer service and enabled the development of new product ranges based on the Gallery's Collection, but closely following broader retail trends.

The Gallery's online and mail order sales increased by 10% and account for approximately 6% of all retail sales. Books and digital prints account for the largest proportion of these sales and there is considerable scope for further growth following the relaunch of the Gallery's website.

A number of new products were introduced during the year, including textiles and jewellery inspired by the temporary exhibitions programme, stationery featuring a fine woodcut of the Gallery's main entrance portico and photographs from the Archive collection.

Stock levels remain in line with the forecast and a healthy stock turnover has again been achieved. However, management decided to replace the stock and sales system which the Gallery had used for the past eight years but which had become obsolete. After competitive tendering, a Microsoft retail system was successfully installed in March 2009. Greater accuracy, more flexibility in running promotions and reports and user-friendly touch-screen tills are among the many benefits. Further investment in new ranges, fixtures and marketing is planned for 2009.

Picture Library

The Picture Library continued to provide a valuable public benefit through the research and supply of images for licensed reproduction. While the experienced team of Picture Librarians was as busy as ever in handling enquiries and carrying out research, changes in demand and contractions within its traditional publishing, television and media markets resulted in a fall in net income of 10%.

An increasing element of the Picture Library's work is driven by demand for digital images via the Gallery's website. In order to meet this change, a new image management and online order processing system will be launched in summer 2009. This enables professional clients and members of the public to order, license and pay for images online for the first time.

A service offering bespoke prints of works in the Gallery's collection, which makes use of a variety of high-quality papers and printing processes, was relaunched in summer 2008. It has steadily built sales and a reputation for excellence in both product and customer service.

The year ahead will see the development of this and other initiatives, including more focus on the burgeoning market for family history products. The Gallery is clearly ideally placed to provide portrait material and we will be looking at forging links with other organisations in this field.

The Picture Library shares responsibility for photography of the Collection and in the year ahead will continue preparing for the eventual change-over from film to digital media. The team will also continue to provide authoritative advice on rights issues to Gallery colleagues and beyond.

Catering franchise

Catering income increased by 24%, despite the restaurant being closed for much of February. During the year the Company re-tendered the catering franchise for the restaurant and café. The contract was awarded to Searcys, who will maintain the franchise for the next 5 years.

Investment and Other income

Investment and Other income increased by 13%, mainly due to the bank interest generated from The Portrait Fund. A priority for the year ahead is the establishment of an Investment Committee and an investment policy for the Gallery.

Effectiveness and efficiency

Over the last twelve months the Gallery has become more discerning about the terms on which it does business with suppliers. Model forms of contract continued to be developed; the Gallery was more proactive in its negotiations with suppliers and was able to improve its legal protection and achieve better value for money (through cost avoidance and supplier rationalisation).

A programme of re-tendering high-value, high-risk contracts commenced with cleaning services. Strategic procurement reviews on selected Gallery spends (e.g. travel) culminated in the implementation of a sustainable new online rail booking service which should see cash and efficiency savings and allow us to actively monitor our carbon emissions. This year also saw the development of a new, best-practice Gallery Procurement Policy, approved by the Trustees at the end of the financial year.

Next year will see our re-tendering programme continue. In addition, we will continue to review other areas of expenditure, for example postage, couriers and taxi travel, which should achieve cash and efficiency savings.

Staff

The average number of staff sick days taken in 2008/09 rose to 10 days per member of staff, from 5 days in 2007/08. The average number of days sick absence in the public sector is 9.8 days, according to the Chartered Institute of Personnel and Development's 2008 Absence Management Survey.

Training and learning

The Gallery's management and leadership training, which is provided through the Institute of Leadership and Management (ILM) accredited programme, continues to be an important strand of the training and learning programme. We are supporting this with Action Learning Sets and coaching skills to help embed improved management practice across the Gallery. We have also been focusing this year on Health and Safety training, introducing monthly health and safety briefings and increasing our managers' understanding of the risk assessment process.

Other initiatives during the year included revisions to the performance management process to emphasise the value of Continuing Professional Development (CPD). CPD encourages individuals to take responsibility for enhancing their knowledge, skills and competence through a process of planning, action and reflection.

Diversity

We have now established an Equality Steering Group, whose primary objectives are to promote equality at work and monitor the Gallery's progress in achieving the objectives set out in our Equality Scheme. The Group, chaired by the Head of Resources, meets quarterly and includes representatives from each of the Gallery's departments.

Our partnership with local secondary schools, aiming to offer work placement opportunities, continues and we have extended the number of schools that we now work with. These placements provide a useful way of increasing awareness of possible careers within the museums sector. We continue our participation with the Museums Association Diversify scheme, which aims to provide more minority ethnic people who are qualified as potential applicants for mid and senior level positions in museums.

Lastly, our use of open days to see a wider range of job applicants appears to be delivering some improvements to the diversity of staff within the Gallery, where the percentage of black and minority ethnic staff has increased from 11% in 2007/08 to 13% in 2008/09.

During 2008/09, the Gallery received valuable support from volunteers as follows:

	Full-time equivalent
Generating voluntary income:	0.2
Activities for generating funds:	0.5
Extending and broadening audiences:	0.8
Developing the Collection:	1.2
Increasing understanding and engagement with the Collection:	6.0
Support:	0.6

Improving our services

Over the past year the Gallery has demonstrated its continued commitment to improving services through a variety of practical means. A number are detailed below; however, our increased sustainability efforts have involved both Gallery staff and visitors. We set ourselves demanding recycling targets (reducing our waste to landfill by 80% by the end of 2009) and to date we are recycling 72% by volume. Our visitors assist us in recycling any Gallery literature at the end of their visit. In addition, we have held staff awareness campaigns on energy use, and are researching alternatives to carrier bags in our shops.

Visitor Services

In a record year for visitor numbers, the Visitor Services Team has continued to improve the welcome it offers the Gallery's visitors. The establishment of an additional audio guide sales point on the Second Floor has provided visitors with convenient access to this visit-enhancing resource, conveniently situated at the start of the permanent collection.

We have developed the use of a supplementary ticket collection point for Gallery members, corporate supporters

and pre-booked ticket holders, which provides an extra point of contact for visitors entering the Gallery, and helps reduce queuing time for those buying tickets at the main information desk. In addition there is now a new information point, including a small plasma screen, in the front entrance lobby.

Services to research and readers

The Heinz Archive and Library received 1,296 visitors, answered 1,691 enquiries and received group visits from students at the Courtauld Institute and Institute of Historical Research. Bibliographical records for books acquired since 1994, auction catalogues from 2007 and the artist boxes held in the study room migrated to the new library system EOS. At the same time, series level descriptions were added to the new archive system CALM for high-priority areas of Gallery Records and projects were begun to catalogue important parts of the historical archive, including exhibition records, registered packets and the papers of former Gallery Directors. It is intended that these catalogues will be searchable from the website in December.

Buildings and facilities

Access by lift to the sole section of the Gallery that had previously been accessible only by stairs (the small Landing Gallery) was achieved last August. An innovative project that built a corridor in a narrow void between the National Gallery and National Portrait Gallery buildings was undertaken via the complex route of scaling the front of the building, going over the roof and into the void where the corridor was constructed.

The Portrait Restaurant and its kitchen were refurbished in February 2009. The new bar and banquette seating have both been popular and the problem with ambient noise has been reduced.

The successful installation of a new chiller has reduced our energy consumption, not just through greater efficiency but also because it uses external ambient temperature for cooling when the temperature permits. Within the remit of Information Technology a new retail system was introduced and the IT Network was upgraded, which will provide VOIP Telecom capability, a further project for next year. Finally, CCTV and the fire alarm control panel have been upgraded to provide greater reliability and service.

Records and information

The new library and archive systems EOS and CALM were implemented in May 2008 and, during the summer, procedures were updated, staff trained and retrospective cataloguing projects begun across both collections. In order to prepare for the automation of the portrait indexing operation in 2009, sample sets of test records were created in Multi-Mimsy and EOS. Progress was made with the portrait finder initiative: the Gallery continued to explore the possibility of collaboration with the Public Catalogue Foundation and to consider areas of joint interest with the Interpreting British Portraits network. While plans to improve the management of electronic records remained on hold, consideration was given to some of the issues raised by information-sharing, information security and digital sustainability – all of which will need to be taken forward in the next two years. Responsibility for Data Protection was re-aligned more centrally with the Administration Department and a new training programme developed. Eighteen Freedom of Information requests were received and, following appeals against its decision to withhold some information, the Gallery responded to three complaints that were referred to the Information Commissioner.

The National Portrait Gallery has suffered no protected personal data incidents during 2008/09 or prior years and has made no report to the Information Commissioner's Office.

Governance

The Gallery seeks to uphold the highest standards of governance through the accountability and transparency of its management processes, decision-making and communications. Actions taken during the year to strengthen and improve governance included a refreshed Learning Strategy, the revision of the Gallery's procurement policy, and updates of the Acquisition and Disposal Policy and the Archives and Records Management Policy. The Gallery also outsourced its Health and Safety training and advice to the Natural History Museum.

FINANCIAL REVIEW

Presentation

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992.

The Accounts are presented in accordance with the reporting requirements of the Statement of Recommended Practice (SORP, revised 2005), *Accounting and Reporting by Charities*.

As required by the SORP, the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2008/09 and beyond. The Statement of Financial Activities apportions the cost of support services (directorates, personnel, finance, IT, utilities, maintenance, communications and office expenses) and depreciation across the various headings of cost of generating funds and charitable expenditure.

Financial Performance

In spite of the sharp economic downturn experienced during the year, 2008/09 has been a good year in terms of meeting internal financial targets and audience development objectives, as well as achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport. The success of *Vanity Fair Portraits*, *Annie Leibovitz: A Photographer's Life* and other charging exhibitions, together with good trading and excellent fundraising results have allowed the Gallery to designate further funds in the Investment and Contingency Fund to finance future expenditure, as described below in the Reserves Policy.

Statement of Financial Activities

During the year, the Gallery received £7,053,000 (£6,868,000 in 2007/08) in revenue grant-in-aid from DCMS, a 2.7% increase on the previous year, and £640,000 in capital funding. However, it remains essential for the Gallery to increase its self-generated income in order to support its existing resource base while embarking on new initiatives. The Gallery also received an allocation of £160,000 from the Strategic Commissioning Fund (jointly sponsored by the DCMS and the DfES) with a further equivalent amount committed for the following two financial years. 2008/09 grant-in-aid per visitor to St Martin's Place was £4.19, 2% lower than the figure of £4.27 achieved in 2007/08, maintaining the Gallery as very effective within the museums and galleries sector in terms of this key performance indicator.

Grant-in-Aid represented only 39% of total income received in 2008/09. Although this was quite an exceptional year for self-generated income, it nonetheless remains crucial to sustaining the breadth and quality of the Gallery's activities. Gross self-generated income represented 61% of total income, compared to 58% in 2007/08, which continued the trend in the last five years with self generated income accounting for a larger proportion of total income. Self-generated income increased by 28% compared to 2007/08 comprising healthy increases in exhibition admissions income, fundraising income and catering. Retail also had a good year, increasing sales by 13% compared to 2007/08. Publications had an exceptional year, earning over £1 million in revenue – a 196% increase compared to the previous year. Both Retail and Publications benefited from the Gallery's strong exhibition programme and record visitor numbers. However, the difficult economic climate did affect certain areas of the Gallery's business, venue hire, corporate membership and the Picture Library all saw income fall compared to 2007/08. Venue hire and corporate membership saw a sharp contraction in business in the second half of the year as a result of the 'credit crunch' which had a particularly hard impact on the corporate sector.

The increase in self-generated income benefited by the receipt of the second tranche of the £5 million donation from the Lerner family. The Gallery's trading company had another good year of trading, earning profits before tax of £0.45 million.

Overall resources expended rose by 18% compared to 2007/08, mainly as a result of an increase in the costs of the Gallery's trading activities, where Publications costs alone were about £475,000 higher than in 2007/08. This was a reflection of the increased retail activity generated by the *Vanity Fair Portraits* and *Annie Leibovitz* exhibitions. Documentation and research costs had also increased by around £436,000. However, as a proportion of total resources expended, staff costs declined to 51% from 54% in the previous year.

Balance Sheet

Unrestricted Funds

The brought forward Unrestricted Funds balance of £11.7 million was reduced by £1.2 million during the year. The closing balance was £10.5 million of which £5.7 million represents the capital assets funded from self-generated income (which are therefore not available to spend). The reduction in the total unrestricted balance was as a result of the

revaluation of the Gallery's land and buildings. £4.5 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2009/10. In order to reflect the fact that acquisitions for the collection are inalienable and therefore restricted, the £0.39 million value of internally funded acquisitions has also been designated and transferred to Restricted Funds. The General Fund has been adjusted to £0.3 million in accordance with the Reserves Policy below. Going forward, it will be important for the Gallery to maintain a healthy unrestricted reserve to ensure it has sufficient funds to finance its key activities during what is likely to be a deep recession and a prolonged period where public sector finances are expected to be under considerable strain.

Restricted Funds

The brought forward Restricted Funds balance of £57.6 million was increased by £1.8 million. The closing balance was £59 million of which £44.9 million represents the vested assets and the capital assets financed by the Development Appeal Fund and the Heritage Lottery Fund and £9.5 million represents donations for capitalised acquisitions (including the value of donated objects); neither of these amounts is therefore available to spend. The balance of £4.9 million represents The Portrait Fund, together with funds donated and available for the restricted purposes of grant-funded projects to be completed and the acquisition of specified categories of portraits.

Fixed Assets

The principal fixed assets represent the depreciated value of the St Martin's Place and the Orange Street buildings which were re-valued at 31 March 2009. In accordance with Treasury guidance, the Gallery has adopted a policy of using National Statistical Office indices to adjust the carrying values of its land, buildings and plant and machinery in the years when they are not professionally re-valued. Other classes of asset, as of 1 April 2008, have been valued on an historic cost accounting basis. The net book value of St Martin's Place and Orange Street, including fit-out, at 31 March 2009 was £40.1 million. During 2008/09 a professional revaluation of the Gallery's land, buildings plant and machinery was undertaken, (see Note 6). As at 31 March 2009 these assets were valued at £49.9 million, which was a reduction in value of around £3.3 million compared with the carrying value as at 31 March 2008.

Performance

An analysis of performance according to the indicators required by the Department for Culture, Media and Sport under the Funding Agreement is set out on pages 28 and 29.

Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2008/09 the Gallery paid approximately 69% of its invoices within 30 days of the invoice date, compared to 64% in 2007/08. Staff absence and adjustments to working practices to accommodate the purchase ordering system delayed improvements to the payment performance in the first three months of 2008/09; however, for the remaining nine months of the year 79% of invoices were paid within 30 days. The new purchase ordering system introduced in February 2008, has now been embedded successfully into the Gallery's procurement processes.

Investment Policy

Investments are held in accordance with the Trustees Act 2000. Surplus cash is held on deposit with National Westminster Bank Plc, which provides daily access while earning longer-term Money Market rates, providing a rate of return together with the liquidity required for the payment of current liabilities and future obligations. The Gallery also has a total of £31,000 in Charinco (managed by Black Rock Investments) and COIF (managed by CCLA), which are both common investment funds (see Note 7).

Trustees will keep the Gallery's investment policy under review; the overall objective will continue to be to maximise total return in the long term, while maintaining a prudent spread of risk. During 2008/09 the Trustees of the Gallery and the Portrait Fund considered the investment strategy for the Gallery and the Fund and agreed that, in the light of volatility in the stock markets, the worsening economic climate and weaknesses in certain parts of the banking system, the reserves should remain in cash. More recently the Trustees of the Gallery and the Portrait Fund have reviewed their strategies in the light of the significant reduction in interest rates. They have decided it would be prudent to consider investing the reserves in investments other than cash, where this is appropriate to do. In 2009/10, the Gallery and the Portrait Fund will appoint investment advisors to advise and assist them with the preparation and implementation of an investment strategy which may include longer term investments other than in cash.

Reserves Policy

The Trustees perform an annual review of the Gallery's needs for reserves in line with the guidance issued by the Charity Commission. Between 40% and 50% of annual income is received as recurrent Grant-in-Aid from the government. The balance is derived from self-generated income which is mostly volatile and vulnerable to economic downturn. The Gallery has no general endowment and only a modest endowment for the support of the acquisition of major portraits (see below).

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to three-quarters of the average stock levels in the accounts.

The Trustees have designated an Investment and Contingency Fund to finance expenditure which:

- enables the strategic objectives of the Gallery's five year Strategic and three year Corporate Plans to be achieved, in particular those which increase future income or the efficiency of operations; and/or
- acts as bridging to future increases in recurrent income.

£1.5 million of the £3.7 million balance as at 31 March 2009 has been allocated to specific projects for these purposes in 2009 to 2012. A further £0.8 million has been set aside for contingencies, consisting of £0.3 million held as contingency against unforeseen expenditure and short-term losses of income and £0.25 million held in order to smooth fluctuations on baseline expenditure which needs to be averaged across several years, such as the exhibitions programme. Any balance (up to £0.25 million per annum) allows the Director to take advantage of unexpected opportunities during the year. The fund is replenished with one-off unrestricted income (apart from legacies designated for The Portrait Fund as below) and with any annual surplus in excess of the balance maintained in the General Reserve.

The Deferred Projects Fund represents underspends generated in the previous financial year, which are to be employed in specific projects, usually in the current financial year; the full balance of £0.8 million is expected to be spent in 2009/10.

Trustees have also designated The Portrait Fund for acquisitions and development of the Collection. Whenever the Gallery receives unrestricted legacies of £10,000 or more, Trustees consider their designation for The Portrait Fund (every legacy to the Gallery goes towards developing and caring for the Collection for future generations). Legacies under £10,000 will generally be spent on acquisitions, at the discretion of the Director.

The level of unrestricted funds is reviewed by Trustees four times a year. The reserves policy is reviewed by Trustees once a year.

Related Parties

The Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department. More information on the Gallery's related party transactions is included in Note 22.

REMUNERATION REPORT

The following sections provide details of the remuneration and pension interests of the Gallery's most senior management, consisting of the Director, Sandy Nairne, and the two Deputy Directors, Pim Baxter – Director of Communications and Development – and Jacob Simon, Chief Curator.

Service Contracts

Appointments of the Gallery's Director, Director of Communications and Chief Curator are made on merit and on the basis of fair and open competition.

The Director's contract of employment is fixed for a period of seven years, effective from November 2002 with a 6 month notice period and its terms are agreed with the Department for Culture, Media and Sport. The Director is eligible to receive ill health retirement benefits or early retirement benefits under Section 3 of the PCSPS, but not to compensation under Section 10 of the PCSPS, at the expiry of the appointment.

The two Deputy Directors hold appointments, which are open-ended until they reach the normal retiring age

of 60, which is standard for all Gallery staff with the exception of the Director and staff employed on fixed term project work. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Trustees are appointed to serve for a period of four years with the possibility of renewal for a further period of four years at the end of that period. Their appointment is unremunerated, although Trustees may be reimbursed for expenses incurred on Gallery business.

Audited Information

Remuneration paid to the Director and Deputy Directors during the year was as follows – figures in the table are audited information, (comparative figures for the previous year's salaries are shown in brackets):

Name	Salary (including bonus) £000	Real increase in pension as at 31/3/09 and related lump sum £000	Total accrued pension at age 60 at 31/3/09 and related lump sum £000	CETV at 31/3/08 £000	CETV at 31/3/09 £000	Real increase in CETV £000
Sandy Nairne <i>Director</i>	115-120 (110-115 restated)	0-2.5	30-35	460	526	32
Pim Baxter <i>Deputy Director</i>	65-70 (60-65)	0-2.5 Plus lump sum of 2.5-5	10-15 Plus lump sum of 30-35	175	211	23
Jacob Simon <i>Deputy Director</i>	70-75 (60-65)	2.5-5 Plus lump sum of 7.5-10	30-35 Plus lump sum of 95-100	666	747	64

The CETV at 31/3/08 figures are different from the closing figure in the prior year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. None of the above mentioned senior staff received any benefits in kind in 2008/09 (none also in 2007/08).

The Trustees neither received nor waived any emoluments during the year (also in 2007/08). Expenses reimbursed or paid on behalf of two Trustees amounted to £551, all relating to travel and subsistence (in 2007/08, £133 for travel and subsistence and £228 for hospitality).

Salary

"Salary" includes gross salary; performance pay or bonuses (Director's salary only); overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

The Senior Staff Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Trustees and is composed of the members of the Audit and Compliance Committee (see page 26). Once a year the Chairman leads a discussion on the Director's work, against the objectives agreed at the previous meeting of the Committee, in order to recommend to the Board the awarding of any performance related pay. The Director's bonus can be up to 15% of his annual salary, subject to performance against the agreed objectives for that period. Up to 5% of the bonus can be consolidated.

The remuneration of the Director, Sandy Nairne, was £101,531 and a bonus of £15,230. In 2007/08 the remuneration of the Director, Sandy Nairne, was £97,814 – and a bonus of £14,672 which consisted of a consolidated element of £3,717 – and a non-consolidated element of £10,955, restated. The Director's 2007/08 salary in the above table has been restated to reflect the salary disclosed in this paragraph. The 2007/08 accounts disclosed the actual bonus paid to him in the year, which related to his performance bonus for 2006/07, and therefore should have been included

within his salary for 2006/07. The allocation of the Director's 2008/09 bonus between consolidated and non-consolidated elements cannot be determined until the outcome of the 2009/10 annual pay agreement is known.

The remuneration of the Deputy Directors is set out in their contracts and subject to the annual pay review framework for all staff. Their salary does not include any performance related bonuses.

Pensions

Pension benefits are provided through the Civil Service Pension arrangements and the Director and Deputy Directors are members of the Principal Civil Service Pension scheme. From 30 July 2007, Directors and Gallery staff may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website (www.civilservice-pensions.gov.uk).

Cash Equivalent Transfer Values

The above table shows the Director's and Deputy Directors' Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from

another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chairman of Trustees
9 July 2009

THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2008 and 9 July 2009, the date on which the accounts were signed, the Trustees were:

Zeinab Badawi

Sir Nicholas Blake *

Professor Robert Boucher, CBE, FREng

Professor Sir David Cannadine, FBA, FRSL (Chairman)

Dr Augustus Casely-Hayford* (from 15 October 2008)

The Marchioness of Douro

Amelia Chilcott Fawcett, CBE (Deputy Chairman) #

Flora Fraser (to 14 October 2008)

The Rt Hon The Lord Janvrin GCB GCVO QSO (from 15 October 2008)

Professor Ludmilla Jordanova

David Mach, RA

Sir Christopher Ondaatje, OC, CBE #

David Ross * (to 15 December 2008)

Professor Sara Selwood *

Alexandra Shulman, OBE (to 14 October 2008)

Marina Warner CBE FBA (from 15 October 2008)

Sir John Weston, KCMG * (to 14 October 2008)

ex officio

President of the Royal Academy of Arts – Sir Nicholas Grimshaw CBE, PRA

Leader of the House of Lords and Lord President of the Council – The Rt Hon the Baroness Ashton of Upholland (to 3 October 2008)

Leader of the House of Lords and Lord President of the Council – The Rt Hon Baroness Royall of Blaisdon (from 3 October 2008 to 5 June 2009)

Lord President of the Council – The Rt Hon Lord Mandelson (from to 5 June 2009)

* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Mr David Ross until 15 December 2008, and then Professor Sara Selwood from 19 December 2008. Mr Stephen Souchon is co-opted on to the Audit and Compliance Committee to provide specialist accountancy knowledge (*for a period of two years from June 2007*).

Development Board members. The Chair of the Development Board is Amelia Chilcott Fawcett, CBE.

Trustees were shocked and saddened at the end of March 2009 to hear of the sudden death of Professor Robert Boucher. He had been a Trustee since 2003 and had provided dedicated and creative input to the work of the Gallery, in particular in his oversight of the Gallery's financial reporting.

EXTERNAL ADVISERS

Bankers: Main: National Westminster Bank
2a Charing Cross Road
London WC2H 0PD

Trust Funds: Royal Bank of Scotland
49 Charing Cross
London SW1A 2DX

External Auditors: Comptroller & Auditor General
National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

Baker Tilly UK Audit LLP
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1ED

Solicitors: Farrer & Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2008/09. The audit fee in respect of this work was £23,100 (£22,000 in 2007/08). Baker Tilly UK Audit LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £8,800 (£8,800 in 2007/08).

So far as the Accounting Officer, and each person who was a Trustee at the date of approving this report, are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of the Board of Trustees and Gallery's auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow Trustees and the Gallery's auditor, each Trustee has taken all the steps that he/she is obliged to take as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Internal Auditors: AHL Limited
Chartwell House
292-294 Hale Lane
Edgware
Middlesex HA8 8NP

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chairman of Trustees
9 July 2009

PERFORMANCE AGAINST 2008/09 FUNDING AGREEMENT INDICATORS

The Gallery's Funding Agreement with the Department for Culture, Media & Sport contains 20 separate performance indicators. Seventeen of the indicators are stipulated by the Department, with a further 3 chosen by the Gallery. The table below includes the 17 indicators stipulated by DCMS, and 2 of the 3 chosen by the Gallery. (The remaining indicator relates to attendance numbers at specific exhibitions and this is disclosed in the 'Extending and broadening audiences' section of the Trustees and Accounting Officer's Annual Report). Some of the indicators continue from previous Funding Agreements, and where this is the case, prior year comparators have been provided. These indicators are reviewed annually and revised where appropriate. Summarised performance is given below and further reference within the relevant context is made within the Annual Report.

Core target	Note	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,319	1,426	1,469	1,529	1,665	1,646	1,834
Number of unique users visiting the website (000s)		1,374	2,578	4,543	7,300	9,888	14,869	17,500
Number of visits to the Gallery by children aged 15 or under (000s)		66	71	93	81	85	151	147
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from NS-SEC groups 5-8 (000s)	2	53	114	142	75	107	82	92
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from BAME background (000s)	3	145	86	88	61	83	165	129
Number of visits to the Gallery by adult UK visitors (aged 16 or over) who consider themselves as disabled (000s)	3	-	-	-	-	-	66	73
Number of overseas visits (000s)	3	211	356	308	398	500	560	680
Number of facilitated and self-directed visits to the Gallery by children aged 15 and under (000s)	3	-	-	-	-	-	38	36
Number of instances of children aged 15 and under participating in on-site organised educational sessions (000s)	3	-	-	-	-	-	15	19
Number of instances of children aged 15 and under participating in outreach activity outside the Gallery (000s)	4	-	-	-	-	-	4	3
Number of instances of adults aged 16 and over participating in on-site organised activities (000s)	3	-	-	-	-	-	43	46
Number of instances of adults aged 16 and over participating in outreach activities outside the Gallery (000s)	3	-	-	-	-	-	1	1.2
% of visitors who would recommend a visit	7	-	-	99	99	97	99	98

Profit from trading company (£000)	5	-	-	-	-	n/a	509	450
Income from Exhibition Admissions (£000)	3	990	657	677	842	1,504	1,324	2,063
Income from fundraising (£000)	6	-	-	1,360	2,491	2,788	4,117	5,195
Total expenditure on exhibitions	3	1,014	810	813	1,117	1,157	1,114	1,392
Number of UK loan venues	3	98	98	90	42	47	57	88
Number of new acquisitions	3	62	128	95	93	81	200	32

Note 1: Visits to St Martins Place only (excludes visits to national partner sites).

Note 2: Introduced in the 2003 to 2006 Funding Agreement; prior to 2005/06, numbers represent C2Des.

Note 3: Introduced in the 2008 to 2011 Funding Agreement.

Note 4: Introduced in the 2003 to 2006 Funding Agreement.

Note 5: Introduced in the 2008 to 2011 Funding Agreement (not applicable prior to 2007/08).

Note 6: Introduced in the 2008 to 2011 Funding Agreement and equates to Voluntary Income as expressed in the Statement of Financial Activities. (Statistic not available prior to 2004/05).

Note 7: Introduced in the 2008 to 2011 Funding Agreement and equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery. (Statistic not available prior to 2006/07).

(It has not been possible in all cases to provide statistics for years prior to 2008/09 for the performance indicators introduced in the 2008-11 Funding Agreement. Where these statistics are readily available, they have been included).

STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

Under Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The Accounts are prepared to show a true and fair view of the National Portrait Gallery's financial activities during the year and of its financial position at the end of the year.

In preparing the National Portrait Gallery's accounts the Board of Trustees is required to:

- observe the Accounts Direction* issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Gallery will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for the Gallery. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and safeguarding assets, are set out in a Treasury Memorandum and the Treasury Handbook '*Regularity, Propriety and Value for Money*'.

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chairman of Trustees
9 July 2009

*a copy of which is available from:
National Portrait Gallery
2 St Martin's Place,
London WC2H 0HE

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer and Chair of Trustees (as representative of the Board of Trustees), we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Portrait Gallery's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money* and ensuring compliance with the requirements of the Gallery's Management Statement and Financial Memorandum.

The Gallery has a three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes performance indicators to assist the Department in meeting its Public Service Agreement targets and identifies the most significant risks to achieving the Gallery's objectives. These performance indicators are monitored at least twice a year.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Gallery's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. Capacity to handle risk

As Accounting Officer and Chair of Trustees we have overall joint responsibility for the Gallery's risk management framework. The Planning Team¹, with facilitation from the Head of Finance and Planning and feedback from Internal Audit, co-ordinates the management of risk within the Gallery's departments and ensures that the Gallery's risk register is kept up-to-date; this is supplemented by risk assessments and monitoring by project managers for cross-departmental projects.

4. The risk and control framework

Risk management has been embedded within the organisation through the business planning and project management procedures which have been revised and refreshed during 2007/08 and 2008/09. These procedures ensure that risks to achieving business plan activities are identified and are managed by having risk as a standing item on project team agendas.

The Planning Team identifies new risks and on an ongoing basis notifies the Head of Finance and Planning, who maintains the Gallery's Corporate Risk Register, which includes the Gallery's most significant risks. Quarterly, the Planning Team re-scores the risks on this register, based on their potential impact and likelihood of occurrence. The score is biased towards impact, which takes account of factors such as the risk's financial consequences, its impact on the reputation of the Gallery and how long lasting the effects would be. In addition, the Planning Team provides updates on any necessary action taken in the previous quarter to strengthen controls in order to manage risks to within an acceptable level.

The Audit and Compliance Committee reviews quarterly the Corporate Risk Register and progress in implementing any further action required to strengthen controls. The Chair of the Audit and Compliance Committee provides quarterly updates to the Board of Trustees on the effectiveness of risk management.

The Audit and Compliance Committee also reviews, on a sample basis, the Departmental Risk Registers which underpin the Corporate Risk Register, to ensure significant risks in Gallery departments are included in the Corporate Risk Register. Risks are arranged in the Corporate and Departmental Risk Registers according to the Corporate Objective that they impact on.

¹ Comprising the Director, the Head of Finance and Planning, the Chief Curator, the Head of Exhibitions and Collections Management, the Head of Learning, the Communications and Development Director, the Head of Trading and the Head of Resources.

Each risk is allocated a risk rating based on an evaluation of its impact and likelihood. This rating is then compared to the risk appetite, which establishes an acceptable level of risk for a particular business activity. If the controls are judged to be inadequate to manage risk to within the risk appetite, then further action is identified to strengthen these controls. The Audit and Compliance Committee focuses on those risks which require this further action and monitor progress in implementing the improvements.

Information security risk in the Gallery is managed through its Data Protection Policy, in which all new staff are inducted. The Audit and Compliance Committee reviewed the status of information and data security in the year. Areas of weakness were identified and certain of these areas have now been addressed, namely: a clear demarcation of responsibility amongst senior management for information and data security, compulsory data protection training for all staff, and improvements in the IT system security – both physical and logical. Internal audits have been programmed in 2009/10 to review IT and data security, and the Gallery's policies and processes will be measured against the Cabinet Office's recent Security Policy Framework. The Gallery's response to the recommendations arising from these audits will form the basis of its action plan to comply with the Framework.

During the year the Gallery undertook the following actions to improve its internal controls in order to mitigate risk in these areas:

- Governance and management effectiveness – the Board of Trustees agreed a risk appetite for the Gallery's main activities, together with a new framework for evaluating risk.
- Governance and management effectiveness – a series of risk management workshops was undertaken by the Head of Finance and Planning to assist each Gallery department to prepare a Departmental Risk Register.
- Governance and management effectiveness – the risk register of the Gallery trading subsidiary was updated in alignment with the Gallery's revised risk management framework.
- Governance and management effectiveness – the Gallery's internal audit services were re-tendered during the year, and the trading subsidiary appointed an independent non-executive director to its Board of Directors.
- To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards – work continued to improve the Gallery's IT network, including the increase in the network's data storage capacity, in order to reduce the risk of a major network failure.
- To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards – introduction of a new stock management system, and additional work to refine and improve the new purchase ordering system implemented at the end of 2007/08.

5. Review of effectiveness

As Accounting Officer and Chair of Trustees, we have joint responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the:

- Planning Team;
- Audit and Compliance Committee;
- Internal Audit;
- Senior managers within the Gallery, who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the external auditors in their management letter and other reports.

The *Planning Team* reports on the effectiveness of risk management and the Gallery's system of internal controls to the Accounting Officer who reports to the Audit and Compliance Committee four times each year.

The *Chair of the Audit and Compliance Committee* reports to the Board of Trustees:

- annually, for its approval on the effectiveness of risk management and the Gallery's system of internal controls;
- quarterly, to provide updates on progress against action points on the risk register; and

- as required for emerging issues related to risk management.

The *Head of Internal Audit* issues an annual report to the Accounting Officer, which includes his/her opinion of risk management in the Gallery and a statement of assurance on internal control.

Budget Holders provide the Accounting Officer with an annual assurance statement.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6. Significant internal control problems

No significant weaknesses were identified in the annual Internal Audit report to the Accounting Officer and the Audit & Compliance Committee (A&CC). However, one significant control weakness was discovered and reported to the Accounting Officer and A&CC, relating to cash handling. This weakness may have led to the loss of cash to the value of £6k. Controls have now been implemented which counter this weakness.

7. Conclusion

The system of internal control has been in place at the Gallery for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chair of Trustees
9 July 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Portrait Gallery for the year ended 31 March 2009 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Gallery Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board of Trustees, the Director and auditor

The Trustees, and the Director, as Accounting Officer, are responsible for preparing the Trustees' Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliament. These responsibilities are set out in the Statement of the Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, with the consent of the Treasury. I report to you whether, in my opinion, the information which comprises: the Introduction; Structure, Governance and Management; Objectives; Activities, Performance and Planned Future Developments; Financial Review; and Board of Trustees and Professional Advisors, included in the Trustees' Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Portrait Gallery has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the National Portrait Gallery's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the National Portrait Gallery's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report; and Performance against 2008/09 Funding Agreement. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Portrait Gallery's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which

govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, of the state of the National Portrait Gallery and the group's affairs as at 31 March 2009 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury; and
- the information which comprises the Introduction; Structure, Governance and Management; Objectives; Activities, Performance and Planned Future Developments; Financial Review; and Board of Trustees and Professional Advisors, included within the Trustees' Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
13 July 2009

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Unrestricted Funds £000	Restricted Funds £000	2009 Total £000	2008 Total £000
INCOMING RESOURCES					
Grant in Aid	2a	7,053	640	7,693	7,038
Incoming resources from generated funds					
Voluntary income	2b	2,007	3,188	5,195	4,117
Activities for generating funds	2c	3,783	–	3,783	2,914
Investment income	3	257	159	416	367
Incoming resources from charitable activities					
Exhibitions admissions and touring income		2,063	–	2,063	1,324
Exhibition and programme sponsorship income		629	–	629	717
Learning and access income		32	–	32	42
Other income		103	2	105	91
Total incoming resources		<u>15,927</u>	<u>3,989</u>	<u>19,916</u>	<u>16,610</u>
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	5	494	149	643	450
Fundraising trading: cost of goods sold and other costs	5	3,150	18	3,168	2,447
Total costs of generating funds		<u>3,644</u>	<u>167</u>	<u>3,811</u>	<u>2,897</u>
Resources expended on charitable activities					
Extending and broadening audiences	5	2,517	377	2,894	2,690
Developing the Collection	5	3,849	170	4,019	3,620
Increasing understanding and engagement with the Collection	5	4,782	873	5,655	4,669
Governance costs	5	121	12	133	106
Total Resources expended		<u>14,913</u>	<u>1,599</u>	<u>16,512</u>	<u>13,982</u>
Net incoming/(outgoing) resources before notional costs		1,014	2,390	3,404	2,628
Notional costs					
Notional cost of capital	1(l)	(764)	–	(764)	(793)
Net incoming/(outgoing) resources after notional costs		250	2,390	2,640	1,835
Net incoming/(outgoing) resources for the year before transfers					
Transfers between funds	12	(605)	605	–	–
Net incoming resources for the year before other recognised gains and losses		(355)	2,995	2,640	1,835
Gains/(losses) on investments	7	(6)	–	(6)	(1)
Gain/(losses) on revaluation of fixed assets for charity's own use	12	(1,600)	(1,220)	(2,820)	4,202
Reversal of notional costs		764	–	764	793
Net movement in funds		<u>(1,197)</u>	<u>1,775</u>	<u>578</u>	<u>6,829</u>
Fund balances brought forward at 1 April		11,695	57,556	69,251	62,422
Fund balances carried forward at 31 March		<u>10,498</u>	<u>59,331</u>	<u>69,829</u>	<u>69,251</u>

All operations of the Gallery continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

The notes on pages 45 to 63 form part of these accounts

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Notes	£000	2009 £000	2008 £000
Fixed Assets				
Heritage Assets	6		9,502	7,471
Tangible Assets	6		50,600	54,165
Available for Sale Financial Assets – Investments	7		31	37
			60,133	61,673
Current Assets				
Stock	10	289		322
Debtors and prepayments	9	717		799
Cash at bank and in hand	8	10,347		8,628
		11,353		9,749
Current Liabilities				
Creditors (amounts falling due within one year)	11	1,657		2,171
Net Current Assets				
			9,696	7,578
Long Term Liabilities				
Creditors (amounts falling due after one year)	11		–	–
Net Assets				
			69,829	69,251
Represented by:				
Restricted Funds				
	12		59,331	57,556
Unrestricted Funds				
Designated funds	12		10,198	11,345
General funds	12		300	350
Total Funds				
			69,829	69,251

The notes on pages 45 to 63 form part of these accounts.

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chairman of Trustees
9 July 2009

GALLERY BALANCE SHEET AS AT 31 MARCH 2009

	Notes	£000	2009 £000	2008 £000
Fixed Assets				
Heritage Assets	6		9,502	7,471
Tangible Assets	6		50,600	54,165
Available for Sale Financial Assets – Investments	7		31	37
			60,133	61,673
Current Assets				
Stock	10	174		190
Debtors and prepayments	9	1,212		1,367
Cash at bank and in hand	8	9,909		8,084
		11,295		9,641
Current Liabilities				
Creditors (amounts falling due within one year)	11	1,599		2,063
Net Current Assets				
			9,696	7,578
Long Term Liabilities				
Creditors (amounts falling due after one year)	11		–	–
Net Assets				
			69,829	69,251
Represented by:				
Restricted Funds				
Unrestricted Funds				
Designated funds	12		10,198	11,345
General funds	12		300	350
Total Funds				
			69,829	69,251

The notes on pages 45 to 63 form part of these accounts.

Sandy Nairne
Accounting Officer
9 July 2009

Professor David Cannadine
Chairman of Trustees
9 July 2009

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2009

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	18(a)	4,178	4,403
Capital expenditure and financial investment	18(b)	(2,875)	(1,340)
Management of liquid resources	18(b)	-	-
Return on investments and servicing of finance	18(b)	416	367
Increase in cash in the year		<u>1,719</u>	<u>3,430</u>

The notes on pages 45 to 63 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historic cost convention modified to include the revaluation of land and buildings and required valuation methods for financial instruments. The accounts comply with the Statement of Recommended Practice 2005, Accounting and Reporting by Charities, applicable accounting standards and the Accounts Direction issued by the Department for Media, Culture and Sport. The accounts include the Grant-in-Aid account and two trust funds (established by the Gallery under Deeds of Trust) administered by the Gallery (the Dame Helen Gardner bequest and the Portrait Fund) and exclude the American Friends of the National Portrait Gallery (London) Foundation Inc, a US grant-giving organisation with 501 (c) (3) tax status, over which the Gallery has no direct control. The Gallery is recognised as an exempt charity under the provisions of the Charities Act 1993.

The Consolidated accounts are for the National Portrait Gallery and its subsidiary National Portrait Gallery Company Limited (the Company); the Company began trading on 1 April 2007. The Gallery is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1998. Income arising from activities of the trading subsidiary are gift aided to the Gallery.

b) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Gallery is entitled to the income and the amount can be quantified with reasonable accuracy.

Income received in advance is deferred where it would be repayable if conditions are not met in the future.

Grant-in-Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the Statement of Financial Activities in the year it is received.

Gifts in kind are treated as donations in the period the gift is received at the gross value to the Gallery at the time of the gift.

Legacies are recognised as income when there is entitlement, certainty of receipt and measurability of the legacy.

All income from exhibition sponsorship is recognised in full in the year in which the exhibition commences.

c) Expenditure

Expenditure is classified under the principal categories of charitable expenditure and the costs of generating funds rather than the type of expense, in order to provide more useful information to users of these accounts.

Charitable expenditure and costs of generating funds comprise direct expenditure including direct staff costs attributable to the Gallery. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of the resources (these general overheads include the costs of directorate and office services, personnel, finance and planning, IT and communications, facilities management and depreciation). Fundraising costs are those incurred in seeking voluntary contributions for the Gallery.

Liabilities are recognised where legal or constructive obligations mean that it is more likely than not that a transfer of economic benefit will be made.

d) Fund accounting

Unrestricted funds:

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

Restricted funds:

Restricted funds are those subject to specific restrictions imposed by donors, by the purpose of the appeal or conditions of the Trust.

1. ACCOUNTING POLICIES (CONTINUED)

Restricted funds include the Portrait Fund. The Portrait Fund is governed by a separate Declaration of Trust, through which an initial balance for the Fund of £1,087k was transferred to restricted funds. Subsequent income provided to the Fund can only be recognised as restricted income if it is received from donors specifying that the donation is for the purposes of the Portrait Fund.

e) *Heritage assets*

Since 1 April 2001 all purchased and donated additions to the Collection and all purchased and donated additions to the Photographs Collection have been capitalised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. From 1 April 2005 all purchased and donated additions to the Reference Collection have been capitalised. Such items are not depreciated or re-valued as a matter of routine. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate.

f) *Tangible fixed assets*

The Gallery capitalises the purchase of assets which cost more than £5,000, and IT hardware and software assets which cost more than £1,000. The capitalisation threshold for IT assets has been introduced for IT assets purchased on 1 April 2008 and thereafter.

Land and buildings are professionally valued every five years; the last such valuation was undertaken as at 31 March 2009. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, National Statistical indices are used to adjust the net book value of the assets. Assets other than land, buildings plant and machinery are accounted for on a depreciated historical cost basis, these assets are either of low value or have short lives, therefore the impact of applying indexation would not be material.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the costs less estimated residual value of each asset on a straight line basis. For buildings, plant and machinery, depreciation is calculated after indexation; for assets under construction, depreciation is not charged until the year the asset has been completed. Depreciation is charged on additions and not on disposals.

Indicative asset lives are as follows:

Freehold buildings	20 – 70 years
Leasehold land and buildings	length of lease
Fit-out of buildings	10 – 30 years
Plant and machinery	10 – 15 years
Furniture and equipment	4 years

Where the recoverable amount of a fixed asset is found to be below its net book value, the asset is written down to the recoverable figure and the loss on revaluation is recognised in the Statement of Financial Activities.

g) *Financial Instruments*

Financial Assets

The Gallery classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial asset was acquired.

i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method. Loans and receivables consist of trade and other debtors, and a loan provided by the Gallery to its wholly owned subsidiary company, the National Portrait Gallery Company Ltd. Further disclosure is provided about the loan in Note 9.

Trade and other debtors are recorded at their carrying values, in recognition that these assets fall due within 1 year.

ii. Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are mainly investments that the Gallery does not plan to hold until maturity. They are included in fixed assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments that are treated as AFS financial assets are stated at fair value (market value). Given that these investments are small in relation to the Gallery's overall reserves, it is the Gallery's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result, the Statement of Financial Activities only includes those unrealised gains or losses arising from the revaluation of the portfolio throughout the year. Disclosure is made in Note 7 of the difference between historical cost and the sale proceeds of the investments sold during the year.

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset, or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

Where there is objective evidence that an impairment loss exists on loans and receivables carried at amortised cost, impairment provisions are made to reduce the carrying value to the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The charge to the Statement of Financial Activities represents the movement in the level of provisions, together with any amounts written off, net of recoveries in the year.

Financial liabilities

Trade, other creditors and accruals are recorded at their carrying value, in recognition that these liabilities fall due within 1 year.

h) *Stock*

Stock is valued at the lower of cost and net realisable value and mainly comprises goods for resale. It also includes any work-in-progress which arises out of material expenditure on a publication that is not due to be completed until after the end of the financial year in which the expenditure occurs.

Books, catalogues, posters and postcards produced by the Gallery are sold to the Company on consignment. The consignment stock is an asset of the Gallery.

i) *Leases*

The Gallery has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

j) *Foreign currencies*

Assets and liabilities denominated in foreign currencies are recorded at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

k) *Pension costs*

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described at Note 5. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Gallery recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Gallery recognises the contributions payable for the year.

1. ACCOUNTING POLICIES (CONTINUED)

l) Notional cost of capital

In accordance with Treasury guidance, notional costs of capital (calculated as 3.5% of the average non-donated capital employed, excluding heritage assets) are charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. These are reversed so that no provision is included in the balance sheet.

m) Governance costs

Internal and external audit fees, costs of Trustees meetings, planning costs and an allocation of the Head of Finance and Planning's salary are categorised as Governance costs.

2a. GRANT IN AID

	Unrestricted Funds £000	Restricted Funds £000	2009 Total £000	2008 Total £000
Running costs	7,053	–	7,053	6,868
Capital costs	–	640	640	170
			7,693	7,038
Project costs	–	–	–	–
			7,693	7,038
Comprising: Request for resource 1			7,693	7,038

£7,693,000 of Grant-in-Aid was received during the year (£7,038,000 in 2007/08).

This money is available for running costs, capital improvements and collection purchases; of this, £305,000 was utilised by the Gallery towards Primary Collection acquisitions (Collections Purchase Fund, Note 13).

2b. VOLUNTARY INCOME

	Unrestricted Funds £000	Restricted Funds £000	2009 Total £000	2008 Total £000
Fundraising dinners	280	–	280	75
Individual giving	259	–	259	382
Grants and donations	1,254	537	1,791	1,323
Donated acquisitions	–	113	113	143
Donations for acquisitions	–	2,538	2,538	2,105
Lottery income	–	–	–	28
Income from NHMF	–	–	–	–
Legacies	161	–	161	32
Other fundraising income	53	–	53	29
	2,007	3,188	5,195	4,117

'Grants and donations' and 'Donations for acquisitions' include donations totalling £2.27 million representing the second tranche of the Lerner donation of £5 million, which has been pledged to the Gallery by the Lerner family over three years. The tranche is divided equally between restricted funds (£1,136,000 in Donations for acquisitions, through the Portrait Fund) and unrestricted funds (£1,136,000 in Grants and donations). The third and final tranche should be received in January 2010, but the donations have been accounted for on a received basis to reflect the arrangements governing the pledge agreed with the Lerner family.

2c. Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	2009 Total £000	2008 Total £000
Corporate members	87	–	87	130
Publications	1,059	–	1,059	358
Picture Library	339	–	339	378
Trading income				
Gallery hire	266	–	266	321
Retail	1,672	–	1,672	1437
Catering franchise	360	–	360	290
	3,783	–	3,783	2,914

3. INVESTMENT INCOME

	2009	2008
	£000	£000
Bank interest	414	365
Investment dividends	2	2
	416	367

4. NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS

is stated after charging:	2009	2008
	£000	£000
a) External auditors' remuneration		
National Audit Office	23	
Baker Tilly	9	31
b) Internal auditors' remuneration	13	16
c) Operating lease rentals on land and buildings	64	64
d) Operating lease rental on fixtures & equipment	12	13
e) Cost of capital	764	793
f) Depreciation	1,686	1,554

The audit fee relates solely to audit services provided by the National Audit Office and Baker Tilly.

5. TOTAL RESOURCES EXPENDED

	Direct costs £000	Allocated support costs £000	2009 Total £000	2008 Total £000
Costs of generating funds				
Costs of generating voluntary income	444	199	643	450
Fundraising trading: cost of goods sold and other costs				
Charitable trading	1,583	250	1,833	1,281
Non-charitable trading	1,050	285	1,335	1,166
Total costs of fundraising trading	2,633	535	3,168	2,447
Extending and broadening audiences				
Publicity and information	1,087	82	1,169	1,053
National programme	200	49	249	251
Learning and access	824	652	1,476	1,386
	2,111	783	2,894	2,690
Developing the Collection				
Collection management	2,831	1,188	4,019	3,620
Increasing understanding and engagement with the Collection				
Research and documentation	1,312	718	2,030	1,594
Exhibitions and display	1,824	1,801	3,625	3,075
	3,136	2,519	5,655	4,669
Governance costs	69	64	133	106
	11,224	5,288	16,512	13,982

5. TOTAL RESOURCES EXPENDED (CONTINUED)**ALLOCATION OF SUPPORT COSTS**

	Directorate & Office Services £000	Personnel £000	Finance & Planning £000	IT & Communi- cations £000	Facilities Manage- ment £000	Depreciation £000	Support Salary costs £000	Total £000	2008 £000
Costs of generating voluntary income	20	13	2	36	16	17	95	199	128
Charitable trading	20	13	18	35	41	30	93	250	214
Non-charitable trading	5	15	9	18	96	-	142	285	285
Costs of generating funds	45	41	29	89	153	47	330	734	627
Publicity and information	6	3	13	8	20	10	22	82	79
National programme	6	3	3	8	5	4	20	49	53
Learning and access	20	13	5	36	218	265	95	652	584
Extending and broadening audiences	32	19	21	52	243	279	137	783	716
Collection management	8	82	11	13	220	261	593	1,188	1039
Developing the Collection	8	82	11	13	220	261	593	1,188	1,039
Research and documentation	37	25	4	70	179	218	185	718	629
Exhibitions and display	24	16	17	44	710	861	129	1,801	1,568
Increasing understanding and engagement with the Collection	61	41	21	114	889	1,079	314	2,519	2,197
Governance costs	5	2	1	5	17	19	15	64	35
Total	151	185	83	273	1,522	1,685	1,389	5,288	4,614

5. TOTAL RESOURCES EXPENDED (CONTINUED)**BASIS OF ALLOCATION OF SUPPORT COSTS**

Support costs have been allocated across activities as follows:

Directorate: equally across departments

Personnel, salary costs: per capita

Office Services, IT, Telephones: per capita excluding Visitor Services staff

Finance and Planning, Consultancy fees: per direct and staff costs

Rent and Rates, Energy and Water, Maintenance and Housekeeping, Premises works, Depreciation: per square meterage

GOVERNANCE COSTS

	2009	2008
	£000	£000
Breakdown of direct costs		
Trustees' meetings and expenses	3	3
Internal Audit	13	16
External Audit	23	22
Finance and Planning costs	30	30
	69	71

External audit fees stated are for the Gallery only. The audit fees for the Company are included under Non-charitable trading costs.

a) Staff costs

	2009	2008
	£000	£000
Staff costs during the year amounted to:		
Wages and salaries	6,841	6,154
National Insurance	472	421
Pension	1,033	953
	8,346	7,528

Of which salaries capitalised for digitising the Collection: – 129

The Company does not employ any staff directly and uses staff seconded from the Gallery. The costs of the staff were recharged to the Company.

In 2008/09, the value of these staff costs was £478,000 (£425,000 in 2007/08) which was equivalent to 20.5 full time staff (15 in 2007/08).

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum

5. TOTAL RESOURCES EXPENDED (CONTINUED)

(but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3.0% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice-pensions.gov.uk/>.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the National Portrait Gallery is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2008/09, employers' contributions of £1,033,000 were payable to the PCSPS (2007/08 £938,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the salary bands will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employers' contributions of £18,422 (£15,234 in 2007/08) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,516 (£1,379 in 2007/08), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,696. There were no contributions prepaid at that date.

All staff joining the Gallery as from July 2007 who are contracted for one year or more automatically join the NUVOS pension scheme whereas if their contract is for less than one year they have the option to join it. The Employee/Employer contributions are the same for NUVOS as for Premium and Classic Plus schemes.

Numbers of Employees

The number of employees, comprising the Director and 4 other members of the Senior Management Team (3 in 2007/08) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2009	2008
£60,001 – £70,000	3	3
£70,001 – £80,000	1	–
£100,001 – £110,000	–	1
£110,001 – £120,000	1	–

These employees are accruing benefits under defined benefit schemes and received no benefits-in-kind.

5. TOTAL RESOURCES EXPENDED (CONTINUED)

The average number of full time equivalent (FTE) employees analysed by function during the year was as follows:

	Permanent staff	Temporary staff	2009 Number	2008 Re-stated Number
Costs of generating voluntary income	14	–	14	9
Charitable trading	14	–	14	14
Non-charitable trading	16	–	16	15
Extending and broadening audiences				
Publicity and information	3	–	3	4
National programme	3	–	3	4
Learning and access	12	2	14	14
Developing the Collection				
Collection management	67	20	87	82
Increasing understanding and engagement with the Collection				
Research and documentation	26	1	27	24
Exhibitions and display	17	–	17	16
Governance	2	–	2	2
Support	34	1	35	34
	<u>208</u>	<u>24</u>	<u>232</u>	<u>218</u>

Of whom staff digitising the Collection capitalised:

	6	–	6	5
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As at 31 March 2009, 53 staff had season ticket and training loans outstanding worth a total of £47,430 included in Other Debtors.

6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Assets under construction £000	Total tangible assets £000	Heritage assets £000	Total £000
Valuation/cost at 1 April 2008	46,938	11,612	2,534	100	61,184	7,471	68,655
Additions	–	582	359	–	941	2,031	2,972
Disposals	–	–	–	–	–	–	–
Revaluation adjustment	(6,867)	(1,889)	–	–	(8,756)	–	(8,756)
Transfer of assets	29	–	71	(100)	–	–	–
Valuation/cost at 31 March 2009	<u>40,100</u>	<u>10,305</u>	<u>2,964</u>	<u>–</u>	<u>53,369</u>	<u>9,502</u>	<u>62,871</u>
Depreciation at 1 April 2008	3,100	1,794	2,125	–	7,019	–	7,019
Disposals	–	–	–	–	–	–	–
Depreciation	732	665	289	–	1,686	–	1,686
Revaluation adjustment	(3,832)	(2,104)	–	–	(5,936)	–	(5,936)
Depreciation at 31 March 2009	<u>–</u>	<u>355</u>	<u>2,414</u>	<u>–</u>	<u>2,769</u>	<u>–</u>	<u>2,769</u>
Net book value at 31 March 2009	<u>40,100</u>	<u>9,950</u>	<u>550</u>	<u>–</u>	<u>50,600</u>	<u>9,502</u>	<u>60,102</u>
Net book value at 31 March 2008	43,838	9,818	409	100	54,165	7,471	61,636

Tangible fixed assets relate to the Gallery. The Company has no fixed assets.

6. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value at 31 March 2009 represents fixed assets for:

	Land & buildings £000	Plant & Machinery £000	Furniture & equipment £000	Assets under construction £000	Heritage assets £000	Total £000
Charitable activities	36,305	9,008	499	–	9,502	55,314
Other activities	3,795	942	51	–	–	4,788
Total	40,100	9,950	550	–	9,502	60,102

All the Gallery's land and buildings were revalued in accordance with the RICS Valuation Standards (the "Red Book") by the firm of chartered surveyors, Atisreal UK, at 31 March 2009, at which time they were valued at £40.1 million (excluding plant and machinery, which was valued at £9.8 million, and this excluded the value of plant and machinery at the Merton store). In accordance with HM Treasury guidance, all other assets have been valued on a depreciated historical cost basis. Prior to this year, these other assets would have been valued according to the modified historic cost accounting convention and would have been revalued using indices published by the Valuation Office and the Office of National Statistics. The net book value of Furniture & Equipment would have been £9k higher, if the indices were applied and £4k additional depreciation would have been charged to SOFA.

In accordance with Financial Reporting Standard 15, *Tangible Fixed Assets*, where a fixed asset comprises two or more major components with substantially different economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life. The buildings have three separable material components, which have different remaining asset lives:

structural – 20-70 years, fixtures and fittings – 10-20 years and plant and machinery – 10-15 years. Structural and fixtures and fittings are disclosed under the land and buildings category.

St Martin's Place: The main Gallery at St. Martin's Place was transferred from ('vested by') the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994, although title was not registered to the Trustees until 7 June 1994. The main Gallery was brought into the books in 1994 at a net book value of £43.7million and was revalued at 31 March 2009 on a depreciated replacement cost of £43.1million (including plant and machinery).

Orange Street and Charing Cross Road: The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed as part of the Gallery Development Plan to provide new accommodation for the archives and gallery administration. The buildings were occupied from October 1993. These properties were revalued at 31 March 2009 on an existing use basis at £6.8million (including plant and machinery), with an allowance to reflect the restrictions described.

Merton store: Since the land and buildings used for storage at Merton are held on a 5 year operating lease, expiring May 2009, these assets have not been capitalised; the Gallery's plant and machinery at this property were valued at 31 March 2004 at £0.47million at existing use. The plant and machinery was excluded from the 2008/09 valuation in recognition of the imminent expiry of the lease, and also in recognition that management were contemplating alternative options for Collection storage and have decided to renew the Merton lease on a short term basis. The Merton plant and machinery has therefore been written down in 2008/09 to reflect the shorter lease period contemplated by management.

The net book value of land and buildings relates to:

	£000
Freehold	38,966
Long term lease (greater than 50 years)	1,134
Short term lease (less than 50 years)	–
	<u>40,100</u>

7. AVAILABLE FOR SALE FINANCIAL ASSETS – INVESTMENTS

Fixed asset investments

	Black Rock (Charinco) £000	CCLA (COIF) £000	2009 £000	2008 £000
Market value at 1 April 2008	17	20	37	38
Net gain/(loss) on revaluation	–	(6)	(6)	(1)
Market value at 31 March 2009	17	14	31	37
Historical cost at 31 March 2009	13	4	17	17
Unrealised Investment Gains at 31 March 2008	4	10	14	20

All investments relate to the Gallery only. All funds are invested in common investment funds and are analysed as follows:

	2009 £000	2008 £000
Investment assets in the UK	31	37
	31	37

8. FINANCIAL RISK MANAGEMENT

FRS29 *Financial Instruments: Disclosures* requires entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during the period.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Gallery's expected purchase and usage requirements and the Gallery is therefore exposed to little credit, liquidity or market risk.

Liquidity risk

Approximately 50% of the Gallery's income (excluding income for buildings and net of trading and fundraising costs) is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which ensures that an amount equivalent in total to three-quarters of the Gallery's average stock levels is held in general funds. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Gallery has sufficient unrestricted funds to cover its current liabilities.

Credit risk

The Gallery group is exposed to credit risk of £298,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 94% of trade debtors over the last two years. Bad and doubtful debts are provided for on an individual basis. Write offs in the year for bad debts amounted to £2,115 (£3,431 in 2007/08).

Cash is held by the Gallery's bankers. The Gallery has not suffered any loss in relation to cash held by bankers.

The Gallery's loan to its trading subsidiary is secured against the assets of the Company. This is mainly in the form of the Company's stock, which has a value of £115k and is convertible to cash and therefore reduces the credit risk of this arrangement.

Interest rate risk

The Gallery draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; 99.5% of the Gallery's financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. 0% of the Gallery's financial assets carry fixed rates of interest. About 0.5% of the Gallery's financial assets are held in equities listed on a recognised stock exchange. However, as only a small proportion of income (2008/09 – £414k) is generated from interest earned, the Gallery is not exposed to significant interest rate risk.

Interest rate profile

The following table shows the interest rate profile of the Group financial assets.

	Floating	Fixed rate	Non-interest bearing	Total	Weighted average interest rate	Weighted average period for which rate is fixed
	£000	£000	£000	£000	%	
At 31 March 2009						
Sterling Floating	10,321	-	-	10,321	4.40	1 month
Sterling Fixed	-	-	-	-		
US\$ Currency	5	-	-	5	0.04	"
Euro Currency	-	-	-	-	-	"
Other	-	-	52	52		
	10,326	-	52	10,378		
At 31 March 2008						
Sterling Floating	8,606	-	-	8,606	5.77	1 month
Sterling Fixed	-	-	-	-		
US\$ Currency	4	-	-	4	0.05	"
Euro Currency	-	-	-	-	-	"
Other	-	-	55	55		
	8,610	-	55	8,665		

The book value equals the fair value for all assets held.

Reconciled to the Balance Sheet

	2009 £000	2008 £000
Fixed Asset Investments	31	37
Current Asset Investments	-	-
Cash at Bank	10,347	8,628
Total	10,378	8,665

Foreign currency risk

As the Gallery's policy is to convert foreign currency into sterling on receipt, the Gallery's exposure to foreign currency risk is not significant.

9. DEBTORS AND PREPAYMENTS

	GROUP		GALLERY	
	2009	2008	2009	2008
	£000	£000	£000	£000
a) Debtors falling due within one year				
Trade debtors	298	357	256	260
Less provision for bad debts	-	(6)	-	(6)
	298	351	256	254
Other debtors	77	192	66	107
Prepayments	37	34	36	33
Accrued income	265	222	193	222
VAT recoverable	40	-	40	-
Amounts due from the Company	-	-	575	685
	717	799	1,166	1,301
b) Debtors falling due after one year				
Amounts due from the Company	-	-	46	66
	-	-	46	66

Debtors are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

Of the amount due from the Company, £70,451 relates to a loan given by the Gallery on 1 April 2008. At that date, the loan totalled £111,000, repayable over 5 years. The rate payable is 1% above the Bank of England base rate. A further amount of £449,615 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intragroup balance as at 31 March 2009.

Debtors includes a balance of £40k with HMRC. There were no other material balances with Whole of Government Accounts bodies at 31 March 2009.

10. STOCK

	GROUP		GALLERY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Goods for resale	281	312	166	180
Work in progress	8	10	8	10
	289	322	174	190

11. CREDITORS AND ACCRUALS

a) Creditors falling due within one year

	GROUP		GALLERY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade creditors	582	1,161	553	1,074
Other creditors	105	101	105	101
Taxation and social security	157	155	157	155
Accrued expenses	579	275	550	265
Deferred income	234	376	234	365
VAT payable	-	103	-	103
	1,657	2,171	1,599	2,063
of which creditors for capital expenditure:	-	16	-	16

b) There were no creditors falling due after one year.

Creditors includes a balance of £157k with HMRC. There were no other material balances with Whole of Government Accounts bodies at 31 March 2009.

11. CREDITORS AND ACCRUALS (CONTINUED)

c) Movement on deferred income

	GROUP							Total £000
	Sponsorship £000	Catering Franchise £000	Venue Hire £000	Exhibition Fees £000	Registration Fees £000	Donations £000	Membership Fees £000	
Balance as at 1 April	325	8	3	–	40	–	–	376
Amounts released from previous years	(325)	(8)	(3)	–	(40)	–	–	(376)
Incoming resources deferred in the current year	55	–	–	12	47	5	115	234
Balance as at 31 March	55	–	–	12	47	5	115	234

The disclosure includes the deferred income related to the Gallery only.

12. STATEMENT OF FUNDS

	Note	Balance at 1 April 2008 £000	Income £000	Expenses £000	Net gains/ (losses) £000	Transfers £000	Balance at 31 March 2009 £000
Unrestricted funds							
Designated funds:							
Collections Purchase Fund	13	46	305	–	–	(375)	(24)
Collections Designated Fund	13	–	386	–	–	(386)	–
Capital Projects Reserve Fund*	13	7,668	301	(704)	(1,600)	–	5,665
Investment and Contingency Fund	13	2,830	–	–	–	874	3,704
The Portrait Fund	13	62	–	–	–	(52)	10
Deferred Projects Fund	13	739	–	(654)	–	758	843
Total designated funds		11,345	992	(1,358)	(1,600)	819	10,198
General Funds (Working Capital)	13	350	14,935	(13,555)	(6)	(1,424)	300
Total unrestricted funds		11,695	15,927	(14,913)	(1,606)	(605)	10,498
Restricted funds							
Development Projects Fund	14	22,520	640	(650)	1,554	–	24,064
Capital Reserve Fund (Non-donated Assets)	14	12,067	–	(93)	(2,603)	–	9,371
Capital Reserve Fund (Donated Assets)	14	11,910	–	(238)	(171)	–	11,501
Capitalised Acquisitions Fund	14	7,472	1,368	–	–	664	9,504
Total Capital Reserve Funds*		53,969	2,008	(981)	(1,220)	664	54,440
The Portrait Fund	14	3,099	1,345	–	–	(41)	4,403
Grants and Donations Fund	14	485	634	(618)	–	(15)	486
Dame Helen Gardner Bequest	14	3	2	–	–	(3)	2
		3,587	1,981	(618)	–	(59)	4,891
Total restricted funds		57,556	3,989	(1,599)	(1,220)	605	59,331
Total Funds		69,251	19,916	(16,512)	(2,826)	–	69,829

* Capital Reserve Funds represent the net book value of tangible assets, including Collection acquisitions, purchased with unrestricted or restricted funds as well as the value of the main gallery vested with Trustees; these funds, totalling £60 million, are not available to spend.

12. STATEMENT OF FUNDS (CONTINUED)

Fair Value Reserve (Investments)	As at 1 April 2008	Unrealised gains/ losses under fair value	Realised gains/ losses under fair value	As at 31 March 2009	Reserve/ Fund excl fair value as at 31 March 2009	Reserve/ Fund incl fair value as at 31 March 2009
Unrestricted General Fund	20	(6)	–	14	286	300

13. DESIGNATED FUNDS

	2009	2008
	£000	£000

COLLECTIONS PURCHASE FUND

Purchases during 2008/09 for the enhancement of the Primary Collection which were funded by the Grant-in-Aid allocation amounted to £375,000 (£259,000 in 2007/08). Movements on the reserve were as follows:

Balance at 1 April	46	–
Add: Grant-in-Aid allocation	305	305
Less: Acquisitions for Primary Collection	(375)	(259)
Transfers from General Funds	–	–
Balance as at 31 March	<u>(24)</u>	<u>46</u>

The deficit will be funded from Grant-in-Aid received in the new financial year.

COLLECTIONS DESIGNATED FUND

Balance as at 1 April	–	–
Purchases for the Primary and Photographs Collections during the year	386	272
Transfer to Capitalised Acquisitions Fund	(386)	(272)
Balance as at 31 March	<u>–</u>	<u>–</u>

This fund represents designation of Grant-in-Aid expended on acquisitions (Heritage Assets), transferred to the restricted Capitalised Acquisitions Fund.

CAPITAL PROJECTS RESERVE FUND

Balance as at 1 April	7,668	7,121
Income during the year designated by the Trustees for Tangible Assets additions	301	412
	<u>7,969</u>	<u>7,533</u>
Less: Depreciation for year	(704)	(366)
Add: Revaluation	(1,600)	501
Balance as at 31 March	<u>5,665</u>	<u>7,668</u>

This fund represents the net book value of all Tangible Assets which have not been funded from restricted income.

INVESTMENT AND CONTINGENCY FUND

Balance as at 1 April	2,830	2,220
Transfers from: General Funds surplus	874	610
Balance as at 31 March	<u>3,704</u>	<u>2,830</u>

This fund represents a designation of surpluses to be invested in projects in accordance with the reserves policy.

13. DESIGNATED FUNDS (CONTINUED)

	2009	2008
	£000	£000
THE PORTRAIT FUND		
Balance as at 1 April	62	79
Income during the year	-	-
Transfer to Capitalised Acquisition Fund	(219)	(50)
Transfer from General Funds (Unrestricted legacies and interest earned)	167	33
Balance as at 31 March	<u>10</u>	<u>62</u>

This fund represents income designated for the development of the Collection (acquisitions and related costs such as conservation and displays, including unrestricted legacies and interest earned).

DEFERRED PROJECTS FUND

Balance as at 1 April	739	394
Expenditure during the year	(654)	(379)
Transfers from General Funds	758	724
Balance as at 31 March	<u>843</u>	<u>739</u>

This fund represents underspends generated in 2008/09 which are to be employed in projects during 2009/10.

The projects include the replacement of lighting track and fire stopping projects.

GENERAL FUND

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to three-quarters of the average stock levels in the accounts.

14. RESTRICTED FUNDS**DEVELOPMENT PROJECTS FUND**

Balance as at 1 April		22,520	21,440
Add:	Income for year (Tangible Assets additions)	640	170
Less:	Depreciation for year	(650)	(809)
Add:	Revaluation	1,554	1,719
	Transfer from Grants and Donations Fund	-	-
Balance as at 31 March		<u>24,064</u>	<u>22,520</u>

This fund represents the net book value of Tangible Assets which have been funded from restricted income.

CAPITAL RESERVE FUND (NON-DONATED ASSETS)

Balance as at 1 April		12,067	11,335
Less:	Depreciation for year	(93)	(121)
Add:	Revaluation	(2,603)	853
Balance as at 31 March		<u>9,371</u>	<u>12,067</u>

This fund represents the net book value of vested Tangible Assets (Note 6) funded from self-generated income.

14. RESTRICTED FUNDS (CONTINUED)

	2009	2008
	£000	£000
CAPITAL RESERVE FUND (DONATED ASSETS)		
Balance as at 1 April	11,910	11,039
Less: Depreciation for year	(238)	(258)
Add: Revaluation	(171)	1,129
Balance as at 31 March	<u>11,501</u>	<u>11,910</u>

This fund represents the net book value of vested Tangible Assets (Note 6) funded by donations.

CAPITALISED ACQUISITIONS FUND

Balance as at 1 April		7,472	6,618
Acquisitions funded from restricted donations received during the year		1,368	310
Transfers from:			
Collections Designated Fund	386		272
Grants and Donations	15		215
The Portrait Fund	260		50
Dame Helen Gardner Bequest	3		7
		<u>664</u>	<u>-</u>
Balance as at 31 March		<u>9,504</u>	<u>7,472</u>

This fund represents the value of Heritage Assets funded by restricted donations and Grant-in-Aid allocated to capitalised acquisitions for Collections.

THE PORTRAIT FUND

Balance as at 1 April		3,099	1,135
Add: Donations received		1,186	1,854
Transfer to Capitalised Acquisition Fund		(41)	-
Transfer from General Funds (Interest earned on Restricted Portrait Fund balances)		159	110
Balance as at 31 March		<u>4,403</u>	<u>3,099</u>

This fund represents restricted funds received specifically for the Portrait Fund for the development of the Collection (acquisitions and related costs such as conservation and displays).

GRANTS AND DONATIONS FUND

Balance as at 1 April		485	633
Income during the year		634	504
Expenditure during the year		(618)	(437)
Transfers to: Capitalised Acquisitions Fund		(15)	(215)
Balance as at 31 March		<u>486</u>	<u>485</u>

This fund represents grants and donations given for a specified purpose.

HERITAGE LOTTERY FUND / NATIONAL HERITAGE MEMORIAL FUND

Balance as at 1 April		-	-
Income during the year		-	28
Expenditure during the year		-	(28)
Balance as at 31 March		<u>-</u>	<u>-</u>

This fund represents amounts received from the Heritage Lottery Fund and the National Heritage Memorial Fund.

14. RESTRICTED FUNDS (CONTINUED)

	2009	2008
£000	£000	£000
DAME HELEN GARDNER BEQUEST		
Balance as at 1 April	3	8
Income during the year	2	2
Transfers to Capitalised Acquisitions Fund	(3)	(7)
Balance as at 31 March	<u>2</u>	<u>3</u>

This fund represents royalties received under Dame Helen Gardner's bequest, restricted to purchasing literary or early 17th Century portraits.

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances as at 31 March 2009 are represented by:

	Unrestricted		Restricted	Total
	Designated	General		
	£000	£000	£000	£000
Fixed Assets	5,665	–	54,437	60,102
Investments	–	31	–	31
Current Assets	4,533	1,873	4,947	11,353
Current Liabilities	–	(1,604)	(53)	(1,657)
Total Net Assets	<u>10,198</u>	<u>300</u>	<u>59,331</u>	<u>69,829</u>

Unrealised gains included above:

On investment assets	–	14	–	14
Total unrealised gains as at 31 March 2009	<u>–</u>	<u>14</u>	<u>–</u>	<u>14</u>

16. FINANCIAL COMMITMENTS

As at 31 March 2009 the Gallery had annual commitments under non-cancellable operating leases as follows:

	2009		2008	
Operating leases which expire:	Land and buildings	Other Operating Leases	Land and buildings	Other Operating Leases
	£000	£000	£000	£000
Less than one year	–	2	–	3
Two to five years	<u>64</u>	<u>10</u>	<u>64</u>	<u>10</u>

The figure for land and buildings represents the lease on the Merton store which expires in 2009 but is being renegotiated for a further term.

17. CAPITAL COMMITMENTS

	2009	2008
	£000	£000
Capital expenditure contracted for but not provided in the accounts	152	653
Capital expenditure authorised but not contracted for	411	663

Capital expenditure contracted for but not provided relates to costs for replacing the Gallery's existing telephone system and for the provision of a new Gallery Audioguide. Capital expenditure authorised but not contracted for relates to various IT projects and plant and machinery upgrades, including replacement of the telephone system.

18. CASH FLOW INFORMATION*a) Reconciliation of changes in resources to net inflow from operating activities*

	2009	2008
	£000	£000
Net incoming/(outgoing) resources/surplus before revaluations	3,404	2,628
less: Investment income	(416)	(367)
Donated acquisitions	(113)	(143)
Loss on disposal of fixed assets	–	–
Depreciation	1,686	1,554
(Increase)/Decrease in debtors	82	7
(Decrease)/Increase in creditors	(356)	513
(Decrease)/Increase in deferred income	(142)	137
(Increase)/Decrease in stocks	33	74
Net cash flow from operating activities	<u>4,178</u>	<u>4,403</u>

*b) Analysis of Cash Flows***Capital expenditure and financial investment**

Payments to acquire tangible fixed assets	<u>(2,875)</u>	<u>(1,340)</u>
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Management of liquid resources

(Increase) / Decrease in short term deposits (current investments)	<u>–</u>	<u>–</u>
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Return on investments and servicing of finance

Interest received	414	365
Investment dividends	2	2
	<u>416</u>	<u>367</u>

c) Reconciliation of net cash flow to movement in net funds

Increase in cash in period	1,719	3,430
Cash flow from change in liquid resources	–	–
Movement in net funds in the period	1,719	3,430
Net funds at 1 April	8,628	5,198
Net funds at 31 March	<u>10,347</u>	<u>8,628</u>

d) Analysis of net funds

	1 April 2008	Cash flow	31 March
	£000	£000	2009
			£000
Cash at bank and in hand	8,628	1,719	10,347
Net funds	<u>8,628</u>	<u>1,719</u>	<u>10,347</u>

19. TRADING SUBSIDIARY**NATIONAL PORTRAIT GALLERY COMPANY LIMITED**

The National Portrait Gallery owns the whole of the issued share capital of 1 issued share of £1 nominal value of the National Portrait Gallery Company Limited, a company registered in England and Wales. The Company's principle activities are Retail, Gallery Hire and running the Gallery catering franchise.

A summary of the results of the subsidiary is shown below:

	2009	2008
	£000	£000
Profit and loss account		
Turnover	2,316	2,050
Cost of sales	(967)	(722)
Gross Profit	1,349	1,328
Administrative expenses	(919)	(814)
Trading Profit	430	514
Interest receivable	23	1
Loan interest payable	(4)	(6)
Profit on Ordinary Activities Before Taxation	449	509
Taxation	-	-
Retained in Company	449	509
Balance sheet		
Tangible fixed assets	-	-
Current assets	679	861
Creditors	(229)	(351)
Payment under Gift Aid to Gallery	(449)	(509)
Net assets	1	1
Share capital and reserves	1	1

Reconciliation of results of the Company to the Consolidated Statement of Financial Activities.

	2009	2008
	£000	£000
Turnover	2,316	2,050
Intergroup transactions	-	-
Trading income per Note 2c	2,316	2,050
Cost of sales	(967)	(722)
Administrative expenses	(919)	(814)
Taxation	-	-
Intergroup transactions	480	369
Trading costs included within SOFA	(1,406)	(1,167)
Interest receivable	23	1
Included in investment income per SOFA	23	1

20. CONTINGENT LIABILITIES

During the preceding year, the Gallery set up a trading subsidiary, National Portrait Gallery Company Limited. Following negotiations with HM Revenue and Customs, on 1 April 2007, the Gallery transferred its retail, venue hire and catering franchise to the company to mitigate the potential for tax liabilities in respect of non-primary purpose trading. At the time that these accounts have been prepared, HMRC has not notified us of any tax due or, if due, the extent of any potential liability.

21. POST BALANCE SHEET EVENTS

The financial statements were authorised for issue by the Accounting Officer and Board of Trustees on 13 July 2009. There were no other significant post balance sheet events.

22. RELATED PARTY TRANSACTIONS

The National Portrait Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various transactions (greater than £500) with the Department and with other entities for which the Department is regarded as the parent Department as follows: British Library, Imperial War Museum, National Gallery, National Heritage Memorial Fund, Tate Gallery, Victoria & Albert Museum, and the National Maritime Museum.

Other Related Party Transactions

Organisations in which Trustees or key members of management (or their connected persons) have an interest are also regarded as related parties. During the year, the Gallery entered into the following transactions with related parties under normal business terms:

	Grants awarded £000	Amounts purchased £000	Amounts sold £000
<u>Related party</u>			
National Trust	–	34	1
Business in the Community	–	3	–
University of London	–	2	–
Rocket Food Company	–	20	–

Trustees: Flora Fraser donated a painting of her mother, Lady Antonia Fraser, with an estimated value of £3,000 to the Gallery's Collection. The Marchioness of Douro and Amelia Fawcett were Patrons during the year paying the subscription of £200 each. The Marchioness of Douro bought three Gala tickets at £510 plus £210 donation. Amelia Fawcett donated £50,000 to the Portrait Fund and bought one Gala ticket at £170 plus £80 donation. Sir Nicholas Blake bought three Gala tickets at £510 plus £240 donation and David Mach bought one Gala ticket at £170 plus £80 donation. Professor Sara Selwood was an Associate (£90 subscription and £160 donation).

Staff: Terence Pepper (the Gallery's Curator of Photographs) donated 6 photographs with an aggregated value of £430 to the Gallery's photographic collection.

Other: Stephen Robertson, non-executive director of the National Portrait Gallery Company Limited, bought one Gala ticket at £340 plus £160 donation.



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