

National Portrait Gallery
Annual Report and Accounts
2009-2010

HC 135

£9.75

MUSEUMS AND GALLERIES ACT 1992

National Portrait Gallery Annual Report and Accounts 2009-2010

Presented to Parliament pursuant to Section 9(8) of the Museums and Galleries Act 1992

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 15 JULY 2010

HC 135 LONDON: The Stationery Office

£9.75

© **National Portrait Gallery 2010**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as The National Portrait Gallery copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

ISBN: 9780102968033

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2377581 07/10 4200 19585

Printed on paper containing 75% recycled fibre content minimum.

Contents

	Page
Trustees' and Accounting Officer's Annual Report	2
Remuneration Report	17
Statement of Trustees' and Director's Responsibilities	24
Statement on Internal Control	25
The Certificate and Report of the Comptroller and Auditor General	28
Consolidated Statement of Financial Activities	30
Consolidated Balance Sheet	31
Gallery Balance Sheet	32
Consolidated Cash Flow Statement	33
Notes to the Accounts	34

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 31st March 2010. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Olympics, 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 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 11,200 portraits of the most famous people in British history. Of these more than 4,200 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 7,000 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, Olympics, 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. In 2010, the Gallery formed an Investment Committee with a mix of trustees and independent members.

A list of Trustees during 2009/10 and up to the date on which the accounts were signed is at page 20. 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 financial, 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.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited. The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director.

Details of the Gallery's external advisers are at pages 20 and 21.

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. The Gallery has a comprehensive policy and training programme aimed at securing the health, safety and welfare of its employees, (see page 12).

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 12.

Objectives and Performance Indicators

The three-year Funding Agreement with the Department for Culture, Media and Sport for 2008 to 2011 includes seventeen key performance indicators relating to audience profile, learning and outreach, visitor satisfaction, income generation and regional engagement, with a further four chosen by the Gallery. 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 2009/10 (with comparators for previous years, where appropriate) detailed on pages 22 and 23.

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 through access and learning, a higher national and public profile, and effective communication;
- 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 the art of portraiture through outstanding research, exhibitions and displays, publishing, regional and digital programmes;

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.

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, exceeding last year's record number of visits. Throughout the year we have continued to attract new audiences, working with a range of promotional partners.

The Gallery attracted over 1.98 million visits in 2009/10, an 8% year-on-year increase. This was partly driven by our exhibition programme including the *BP Portrait Award 2009*, which attracted over 298,000 visitors, a 69% increase on the previous year – making it the most popular exhibition in the Gallery's history – and the outstanding success of *Beatles to Bowie*, which received over 99,000 visitors, 42% over target. 34% of visitors to *Gay Icons* were first time visitors, and 37% of all the visitors to this exhibition were from Lesbian, Gay, Bisexual and Transgender (LGBT) groups.

Research results indicate that the Gallery has attracted a new audience; there was a 10% increase in the number of first time visitors. Enjoyment and satisfaction levels remain very high, with 97% rating their visit 'good' or 'excellent'. 82% of visitors said that they would be 'very likely' to return in the future, a 10% increase on 2008/9.

Marketing

The 'Take another look' marketing campaign, successfully promoted the Gallery's Collection to new audiences and one in twenty visitors interviewed spontaneously mentioned that it had prompted their visit. Effective audience development was undertaken for *Gay Icons* and *The Indian Portrait* and we launched Gallery pages on Facebook and Twitter.

Press

The Gallery's exhibition and displays programme was accompanied by extensive media campaigns resulting in widespread coverage in newspapers and magazines worldwide. Among displays *Twiggy: A Life in Photographs* received a global reach in print coverage. The Gallery's research programme *Making Art in Tudor Britain* and the *Imagined Lives* display at Montacute House were covered in depth by most broadsheet newspapers and the unveiling of the new commission by Nicky Phillips of Prince William and Prince Harry reached many non-arts based media and the popular press. The Gallery's *Take Another Look* marketing campaign and the launch of the online archive catalogue also received significant press attention. As well as this several major arts documentaries with large television and radio audiences including the BBC's poetry strand prominently featured the Gallery.

Late Night Opening

The Friday Night Music programme saw some continuing, as well as new partnerships, including with the Musée d'Orsay. Late Shift, the first sponsorship for late nights, from May 2010, will extend the Gallery's range of events every Thursday and Friday. Four times a year 'Late Shift Extra' will see the Gallery open until 10pm, with guest curators programming special events.

Families and young people

New storytelling sessions were successfully launched and animation workshops linked to *The Indian Portrait* attracted more diverse family audiences. *The BP Portrait Award 2009* family trail and labels featured children's book illustrator Oliver Jeffers. Visitor research will continue to support the development of new approaches to family learning at the Gallery.

The Youth Forum expanded into social media with a Facebook page and guest blogging for Antony Gormley's *One & Other* project on the Fourth Plinth in Trafalgar Square. Three new groups of LGBT young people connected with the Gallery through the My Icons project, associated with *Gay Icons*.

Schools and colleges

The Gallery attracted 94,158 learners this year, 87,982 on-site. Twenty Gallery 'web quests' received 1.5 million hits, and study days for 180 students took place as part of the Creative and Media Diploma. Private exhibition views, miniature painting workshops and *The Indian Portrait* and Mary Seacole online resources supported teachers.

Adult Programme

Highlights included Gerhard Richter and Irving Penn study days; an ambitious externally programmed festival around *Gay Icons* which attracted significant new audiences and saw sell-out performances by Patrick Wolf, Beverley Knight and the Raincoats; a poetry recital by Fiona Shaw and Simon Schama in front of the John Donne portrait; and an Indian literary festival, which attracted new audiences.

Outside the Gallery

Highlights included the LGBT youth project around *Gay Icons*; a project engaging Arabic-speaking young people in West London; a capacity Continuing Professional Development programme for community leaders; Taylor Wessing and Vodaphone funded projects; the development of the hospital schools programme and the *Road to 2012* participation project with the five Olympic host boroughs.

The Studio Gallery

The Studio Gallery hosted artist-led audience development projects including an exhibition of work by Faisal Abdu'Allah and young people from Arabic-speaking communities – the culmination of year one of a three-year funded project; and an exhibition of work by The Singh Twins, giving a contemporary perspective to *The Indian Portrait* exhibition, as well as responding to the Collection by producing a Gallery trail.

Interpretation

The new audio-visual guide to the Collection was launched and is available in six languages. It features introductory videos by the Director and the curators, interactive Gallery maps and themed tours. Future plans include a Family Tour and content in British Sign Language.

National programme

Partnerships with the National Trust at Montacute House, Somerset and Beningbrough Hall, near York and with the Bodellwyddan Castle Trust in Wales saw 241,691 visitors. Partnership activity included visiting displays and shared learning programmes. In addition, the Gallery continued its active programme of long and short term loans.

The exhibition *Comedians from the 1940s to Now*, included a filmed introduction from Paul Merton and shared learning programmes and interpretation at four partner galleries in Sheffield, Sunderland, Plymouth and Southampton as part of the Gallery's Strategic Commissioning Programme funded by DCMS and DCSF. The project focused on young people aged between 14-19.

Eighty delegates attended the *Understanding British Portraits* annual seminar. Other events included special access to University portrait collections in Oxford, a Tudor Jacobean workshop and a day focusing on North East portraits at the Bowes Museum. For more information visit www.portraits.specialistnetwork.org.uk

During the last year the National Portrait Gallery lent 222 items to 52 separate venues on a short term basis and 573 items to 61 venues on a longer-term basis. These have included significant contributions to exhibitions as diverse as Plymouth City Museum & Art Gallery's *Sir Joshua Reynolds: A Life in Art*, London Gallery West's *Blair at War: Photographs by Nick Danziger*, and *Afro-Modernism: Journeys through the Black Atlantic* at Tate Liverpool, all benefitting from the breadth and richness of the Gallery's collections.

Specialist Subject Network

The Network has gone from strength to strength in the last year, with support from the Gallery funding a part time coordinator. This has enabled an annual seminar to take place as well as targeted workshops. Last year, the annual seminar attracted 80 participants, the Tudor Jacobean workshop had to be moved to the Painters Hall due to the numbers of participants, an Oxford Workshop allowed access to participants to university collections that

would normally be unavailable to the public, and the North East Museums Hub hosted a workshop at the Bowes Museum with an emphasis on portraiture in the North East. The network now has an informal membership of 600 people, 86 collections are now part of the mapping exercise and 60 participants have signed up to the expertise mapping exercise.

2) Developing the Collection

Great Portraits for the Nation

At a time of high prices and limited resources, it is pleasing to report that the year has seen some notable acquisitions through gift, bequest or acceptance-in-lieu of inheritance tax. Bequests have included Thomas Lawrence's celebrated drawing of William Godwin and Thomas Holcroft as spectators at John Thelwall's treason trial in 1794, left by Dr Kenneth Garlick, and Wyndham Lewis's 1922 drawing of composer, Sir Arthur Bliss, bequeathed by his centenarian widow, Lady Bliss. Stephen Tomlin's bronze of Duncan Grant and Stanley Spencer's drawing of Sir Geoffrey Keynes have come as bequests from Sir Geoffrey's son, Milo Keynes.

Through the acceptance-in-lieu process, three notable Camden Town School portraits of artists have come from Boxted House in Essex, the home of Bobby and Natalie Bevan, namely Harold Gilman's Stanislaw Bevan, wife of Robert Bevan (Bobby Bevan's father), his Spencer Gore, and Mark Gertler's Natalie Bevan. Also accepted, from another estate, Howard Hodgkin's early portrait of art dealer and collector, Peter Cochrane, is the first work by Hodgkin to enter the Collection.

Two notable Regency portraits were purchased, both dating to 1812, Thomas Lawrence's great full-length of the actor, John Philip Kemble, acquired with help from The Art Fund, and John Raphael Smith's pastel of politician and agriculturalist, William Cobbett. The ability to acquire portraits by purchase is essential to the Collection. Highlights have included Cecil Beaton's photograph of Lady Cynthia Mosley, MP and first wife of Sir Oswald Mosley, iconic photographs of The Beatles and of Gerry Marsden by Robert Whitaker, and collections of photographs from the 1960s and 1970s by Dmitri Kasterine and Andrew Lanyon.

Other notable acquisitions have included Ian Walters's bronze bust of Nelson Mandela, Barrie Cooke's painting of poet Ted Hughes, Noble and Webster's taxidermy construction of fashion designer Isabella Blow, a generous gift from her estate and the artists, and David Bailey's Tracey Emin silkscreen, kindly given by the photographer. The Gallery did not succeed in a joint attempt with Tate to acquire Van Dyck's last Self-portrait, reflecting the difficult fundraising climate.

Commissions

Nicky Philipps's portrait of Princes William and Harry shows the brothers in conversation, wearing the dress uniform of the Household Cavalry. It extends the tradition of royal portraiture in the Gallery. The Nobel Prize-winning writer V.S. Naipaul is shown in the garden of his Wiltshire home which the BP Prize-winning artist Paul Emsley transformed into a wintry nocturnal landscape.

Ishbel Myerscough's portrait of opera singer Sir Willard White, made possible by J.P. Morgan through the Fund for New Commissions, was painted at the sitter's London home between his international operatic engagements. The artist Brendan Kelly devoted over a year to his portrait of former Chief of the General Staff, Sir Mike Jackson, who is shown in military fatigues.

Photographs

Recent acquisitions were shown in displays such as Format Photography Agency, *Jane Bown: Exposures* and *Twiggy: A Life in Photographs*, which included works by Barry Lategan and Sølve Sundsbø. We were also able to add the work of unrepresented photographers including Debra Hurford Brown, Julian Cotterell, Ron Falloon, Spencer Murphy, Jonathan Root, Stewart Walker and Robert Wyatt.

Notable gifts included watercolour-on-ivory miniatures from photographs by Lafayette, given by Stephen Stuart-Smith in memory of Hilda Margaret Ward, one of the last links with the Lafayette studio. These include Daisy, Countess of Warwick, as Queen Marie Antoinette and cricketer and statesman Ranjitsinsji, Jam Saheb of Nawanagar. Kevin Flynn and Marilyn Citron gave Elliott and Fry's costume portrait of actress May Fortescue and another gift added a rare E.O. Hoppé portrait of Samuel Coleridge-Taylor, composer of *Hiawatha*.

The Heinz Archive and Library

Acquisitions included the purchase of a satirical print, *A May Day Garland for 1820*, depicting the Cato Street Conspirators, and five etchings of literary and artistic subjects by Edgar Holloway. Seven engravings of historical subjects were given by Derek Holdaway and William Castell. Other gifts included a chromolithograph of Dame Anna Neagle and Richard Carlson from Terence Pepper and research papers relating to Henry Raeburn Dobson from Dr Eric Cabrius.

Care of the Collection

Important projects have included the installation and care of Marc Quinn's *Self*, a sculpture made from the artist's blood, frozen and displayed in a chilled cabinet, the treatment of thirteen early works for a display at Montacute House and a review of collections storage needs, including continuing discussions with Tate for shared storage.

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 2009/10, the Portrait Fund benefited from the final instalment of the Lerner Gift. The Gallery is extremely grateful to the Lerner family for their extraordinary support which has had a transformative effect on our work. We plan to further build up the Fund through legacies and the support of special projects.

For further information about supporting the Gallery and the Portrait Fund, please contact Stephanie Weissman, Major Donor Development Manager on 020 7321 6645.

3) Increasing the Understanding of and Engagement with the Collection

The range and diversity of our programme continues to reflect our ambitions with the annual competitions and historic, photographic and contemporary exhibitions, displays and publications.

The *BP Portrait Award 2009*, including the *BP Travel Award 2008*, and *Gay Icons*, which explored gay social and cultural history through the unique personal insights of ten high profile gay figures opened in the summer. They were followed in the autumn by *Beatles to Bowie: the 60s exposed*, including over 150 photographs of leading pop music personalities who helped create 'Swinging London' in the 1960s and the *Taylor Wessing Photographic Portrait Prize 2009*. In 2010 we opened *Irving Penn Portraits*, which focused on one of the great photographers of our time and *The Indian Portrait: 1560-1860* encompassing three centuries of portraiture and a first for the UK. We look forward to *Thomas Lawrence: Regency Power and Brilliance* and *E.O. Hoppé Portraits* in 2010-11.

Exhibitions

Both the *Gay Icons* and *The Indian Portrait* were accompanied by an integrated and holistic programme, including youth project work and complementary public events. This, together with successful audience development communications campaigns, attracted new and diverse exhibition visitors.

The Portrait Award 2009, in its thirtieth year at the Gallery and twentieth year of sponsorship by BP, received 1,901 entries, from which fifty-six paintings were selected. The first prize was awarded to Peter Monkman, for *Changeling 2*, part of a series of portraits of his daughter at different stages of her life.

The *Taylor Wessing Photographic Portrait Prize 2009* received over 6,300 submissions entered by 2,452 photographers. Paul Floyd Blake won the first prize, for his portrait of 13-year-old swimmer Rosie Bancroft, who hopes to compete in the 2012 Paralympic Games.

Immunity from Seizure

In response to concerns from museums that an increasing number of international lenders were refusing to lend items to UK museums without a guarantee of their safe return, legislation was created to protect these objects. The Tribunals, Courts and Enforcements Act 2007 includes provisions which give immunity from seizure for cultural objects which are loaned from overseas to temporary public exhibitions in approved museums or galleries in the UK where conditions are met when the object enters the UK.

If the conditions of this legislation are met, a court cannot make an order to seize an object that has been loaned from abroad for an exhibition, except where required to under EU law or the UK's international obligations.

The National Portrait Gallery applied for approval under Section 136 of the Tribunals, Courts and Enforcement Act 2007 on 15 December 2008 and this was granted on 17 February 2009. The NPG provides information on its website for Immunity from Seizure: <http://www.npg.org.uk/about/foi/immunity-from-seizure.php>.

The galleries and displays

Displays designed to show the strengths of the Gallery's own historic and contemporary collections celebrated anniversaries of Dr Samuel Johnson and Lord Tennyson as well as featuring engravings of Lady Jane Grey and caricatures by Edwin Landseer. Acquisitions of work by Jane Bown and the Format Photography Agency were shown, as were various 20th-century and contemporary drawings.

The loan programme of 20th-century and contemporary displays included Frances Alÿs's *Fabiola*, Maggi Hambling's *Portraits of George Melly* and Steve McQueen's *Queen and Country*. Also featured were portraits by Philip De László and John Gibbons, and photographs of Bob Dylan and Twiggy.

Digital programmes

There were 12.2 million visits to the Gallery website in 2009/10 and 160,000 portraits, half the Gallery's Collection, are now accessible on the site. A special exhibition microsite and the use of promotional slots on the home page helped achieve record entry levels to the BP Portrait Award 2009, with over 2,000 applications online.

The Portrait Explorer touch-screen facility for accessing Collection information was redeveloped with new hardware and features, including a 'Today's the Day' facility and ready-made tour maps. Over 8,500 portraits were digitised, so that nearly 75,000 are now publicly accessible.

Research programmes

The year saw the publication of John Ingamells' *Later Stuarts* catalogue and continued work on the Catalogue of *Later Victorian Portraits*. We concluded the second, three-year programme of Leverhulme Fellowships and past Fellows contributed to a series of research seminars.

Significant progress was made on the *Making Art in Tudor Britain* project. Full technical surveys took place on twenty-five paintings and funding was secured from the Esmée Fairbairn Foundation. The year has also been a productive one for individual members of staff.

Cataloguing the Collection

2,858 prints, mainly from the Large Portfolio collection, were catalogued in the Archive and Library. Priorities for scanning included the extra-illustrated set of the Rev. James Granger's *A Biographical History of England from Egbert the Great to the Revolution*, which was catalogued last year.

The photographs card catalogue has been added to the Gallery's database, resulting in 34,620 additions to the number of portraits available on the website. Cataloguing of photographs has focused on images for the *Later Victorian Catalogue* and for forthcoming exhibitions on Camille Silvy and E.O. Hoppé.

Publishing

The Gallery's *Beatles to Bowie* catalogue won the Best Publication 2009 Award from the Association for Cultural Enterprises. The Publications team successfully launched the new visitors' Guide and ran a high profile publicity campaign for *Twiggy: A Life in Photographs*.

In spite of a challenging retail environment, strong overseas sales of *Vanity Fair Portraits* contributed to a profitable programme. Next year we plan to develop more non-book product and guides to the Collection, alongside the exhibition catalogues, to provide further enjoyment and insights into portraiture.

4) Increasing and Developing Resources

Financial summary

In spite of the challenging economic environment, 2009/10 has been a very 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 *Gerard Richter Portraits*, *Beatles to Bowie: the 60s exposed* and other charging exhibitions, together with good trading and fundraising results have allowed the Gallery to designate further funds in the Investment and Contingency Fund to finance future expenditure, as described later in the Reserves Policy.

Voluntary income

It has been a challenging year for the Development team in the current climate, with venue hire and corporate membership being the most vulnerable. However, a number of new sponsors have joined our long-term supporters, as indeed have new trusts, and our individual donors continue to enjoy their association with the Gallery, with the retention rate at all levels remaining high.

Individual support – Patrons and Associates

During the year we enjoyed continued support of our Patrons, including the number who chose to upgrade to Life Patronage, and the Patrons Programme of events proved very popular. Our Associates group continues and we look forward to increasing this level of support and welcoming new Patrons and Associates to the Gallery over the next year.

Individual support – Members

Membership continued to flourish, with numbers reaching 6,600 and an overall retention rate of 70%. We aim to increase the visibility of the Gallery's membership offer in the forthcoming year with a newly refurbished Members Desk.

Development Board and Board of American Friends

The Development Board, Chaired by Amelia Fawcett, with the Corporate and Individual Advisory Groups, again gave tremendous support to Pim Baxter and her team. The Board of American Friends continued their commitment to the Gallery and we are extremely grateful to both Boards for their invaluable help.

Grant-giving bodies

Charitable trusts and foundations continue to provide a valuable source of income. The Gallery was awarded grants by a number of organisations new to it, including the National Cataloguing Grants Programme for Archives. We are also grateful to those trusts who have continued to support our work, such as the Paul Mellon Centre for Studies in British Art.

Activities for generating funds

Corporate fundraising highlights

Three companies came on board as first-time exhibition sponsors. The Gallery welcomed Bank of New York Mellon as a supporter of *Beatles to Bowie*. Bank of America Merrill Lynch sponsored *Irving Penn Portraits* and wine brand Rose D'Anjou supported *Gay Icons*.

October saw the launch of the *National Portrait Gallery/BT Road to 2012 Project*, a three year Olympic portraits commission funded by BT. *Next Generation*, a youth participation programme inspired by the Olympics and linked to the *BP Portrait Award*, is being funded by BP.

Sponsorship of Late Shift, the new programme of Thursday and Friday evening events, was secured from FTI Consulting.

Venue hire

Corporate partners including J.P.Morgan, Towers Watson, as well as new supporters Bloomberg, held a number of events, as did sponsors BP, BT, Taylor Wessing, Rose D'Anjou, Bank of New York Mellon and Bank of America.

Private hire included repeat clients IBM, London Business School and NHBC. DeBeers and Shortlist Media were amongst the new clients to book events.

Trading company

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, completed another successful year of trading, making profits of £444,000, which it will Gift Aid to the Gallery. The Company's business includes retail, venue hire and the catering franchise. The profit achieved in the year was a good result in a very challenging trading environment. The Company Board of Directors will continue to develop the Company's business strategy in 2010/11, in response to the continuing difficult economic conditions.

Retail

Retail income grew by 3% over the previous year, and 5% over budget, to record the highest sales in the Gallery's history. This was a strong performance in difficult conditions and was largely due to sales of exhibition related books and merchandise, most notably *Beatles to Bowie*, as well as new product ranges. In the year, over half the retail turnover, (51%), came from Gallery produced books, prints and other paper products, such as cards. The remaining 49% was split between other products (much of it Gallery branded goods) and non-Gallery books.

Online sales in the first half of the year were affected by the re-launch of the Gallery web site, which experienced some teething problems in the early stages with the payments application and certain planned improvements to the site not being available at launch. It also coincided with a more general decline in Retail sales which together resulted in online sales being 29% down against the previous year after six months. A strong programme of targeted e-marketing and promotions ensured that sales finished the year level with 2008/09 and a 5% increase in customers.

Book signings in the Gallery with Twiggy, Richard Dyer and Sandi Toksvig among others ensured that the Gallery's shops formed a lively and compelling part of our visitors' experience. Shop customer numbers grew by an impressive 14%, although this meant that average transaction values actually fell by 9% to £8.45, demonstrating that visitors were also looking for value.

A full review of our stock profile and buying processes was carried out in summer 2009. Recommendations are being carried out and will inform a partial refurbishment of the ground floor shop during 2010/11.

Picture Library

The Picture Library emerged from a year of tough marketplace and technical challenges, to launch a new e-commerce website, rebranded as 'Rights & Images', with a new vision for its public service and commercial remits.

Catering franchise

Catering income fell by 8% during the year. However, this was as a result of an accounting adjustment from the prior year which had over-stated income in 2008/09. The franchisee (Searcy) achieved strong sales during the year as a result of the record visitor numbers.

Investment and Other income

Investment income decreased by 80% as a result of the very low interest rates on cash deposits. A priority for the year ahead is the appointment of a firm of investment advisors and the preparation and implementation of investment strategy for the Gallery's reserves, with a view to improving investment income, but at the same time preserving capital. Other income increased by 100% mainly as a result of a recovery of overpaid VAT.

Effectiveness and efficiency

Staff involved in Gallery procurement have received training on procurement best practice and the Gallery's new procurement policy. Value for money through 'whole-life' costing is now the underlying procurement principle for Gallery contracts. The ongoing programme of re-tendering major Gallery contracts continued with the re-tendering of the building fabric maintenance contract which saw the Gallery switch to the same supplier as that working at the National Gallery, with the aim of obtaining an improved service via a "locally" based supplier. The Gallery also participated in two collaborative tendering opportunities concerning "media buying" and "market research" resulting in efficiency savings and rate reductions. Going forward the Gallery intends to focus on improving its procurement management information and performance by adopting "Observatory", a system which should enable the Gallery to identify collaborative procurement opportunities and benchmark its performance with other parts of the public sector; all with the aim of identifying opportunities for cash and efficiency savings. The Gallery's focus on sustainability (detailed in "Improving our Services") led to a reduction in electricity consumption of 6%.

Staff

The average number of staff sick days taken in 2009/10 rose to 7 days per member of staff (excluding staff on long term sick), from 6 days in 2008/09. The 2008/09 Annual Report and Accounts included a figure 10 days for sick absence taken in 2008/09, but this figure included staff on long term sick leave. Staff absence at the Gallery continues to remain below the average number of days sick absence for the public sector of 9.7 days, according to the Chartered Institute of Personnel and Development's 2009 Absence Management Survey.

Training

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 have also been focusing this year on some specific skills in areas such as project management, procurement and risk management.

Recruitment

In line with the general economic picture employee turnover, and the consequential recruitment of new employees, slowed down during the year. Employee turnover during 2009/10 was 9% in comparison with 2008/09 when turnover was running at 19%.

Diversity

The Gallery joined a consortium led by the Royal Opera House to form the Culture Quarter Programme, which successfully obtained funding from the Government's Future Jobs Fund to provide work based training for young unemployed people. In the first year of the Programme sixty-eight traineeships will be provided.

The Gallery continues to collaborate with local secondary schools to offer work placement opportunities during the year and participated in two careers fairs to explain more to pupils about working in the museum sector.

The composition of the Gallery's workforce is 89% white, 11% black and minority ethnic, 34% male, 66% female, 3% disabled and 25% part-time employees. As a consequence of higher than average annual staff turnover in the Gallery's black and minority ethnic staff during 2009/10, the percentage of black and minority ethnic staff as a proportion of total staff decreased from 13% in 2008/09 to 11% in 2009/10.

During 2009/10, the Gallery received valuable support from volunteers as follows:

	Full time equivalent
Extending and broadening audiences:	1.4
Developing the Collection:	3.0
Increasing understanding and engagement with the Collection:	7.0
Trading	0.1
Support:	0.3

Improving our services

Sustainability

Among the aims of our refurbishments during the past year has been increased sustainability- whether replacing carpet with tiles with a high recycled content in our Bookshop or the re-use of temporary exhibition wooden walls. An innovative trial using light emitting diode (LED) lamps to light portraits in the 18th Century galleries has led to an 86% reduction in electricity use in that part of the Gallery. This initiative interests other institutions, as does our recent installation of a power equalisation unit. The Gallery has committed to the *10:10* campaign, aiming to reduce our carbon emissions by 10% in the year 2010. Currently over 80% of the Gallery's waste is recycled.

Visitor Services

In another record year for visitor numbers, the Visitor Services Team has continued to improve the welcome it offers the Gallery's visitors, as evidenced by the improved visitor satisfaction statistics recorded in the year (see page 23). The team has enjoyed special training around exhibitions, such as *Gay Icons* and *Indian Portraits* which has enabled them to engage more closely with visitors. Volunteers from this team regularly give Portrait of the Day talks.

Services to research and readers

The Heinz Archive and Library received 1,316 visitors, answered 2,038 enquiries and hosted several visits from the Higher Education sector. Amongst other events, it also participated in the *Chasing Mirrors* project and in a family history event at Olympia.

Buildings and facilities

During the past year, one of the main priorities of the Buildings and Facilities team has been sustainability. The Gallery recycles between 80-85% of its waste and continues to work in various ways to reduce its energy consumption and carbon footprint. Over the past year these have varied from the installation of a Voltage Power Optimization unit to an innovative trial using light emitting diode (LED) lamps to light historic portraits.

The condition of the building itself has been enhanced by the physical checking, and refurbishment, of fire stopping materials. A new telephone system, using VOIP technology, will shortly be installed and progress is being made with an enhanced access control system.

Records and information

Additional Archive and Library staff and volunteers were recruited to catalogue material, and the department's catalogues were launched on the Gallery website in January. A grant of £17,909 was received from The National Archives to catalogue the papers of Sir George Scharf. Forty-one Freedom of Information requests were processed.

The National Portrait Gallery has suffered no protected personal data incidents during 2009/10 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 new Gifts and Hospitality Policy, a revision to the Risk Management Policy and the Gallery's Anti-Fraud Policy, and the creation of an Investment Committee to oversee the implementation of an investment strategy for the Gallery's cash reserves.

FINANCIAL REVIEW

Presentation

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Olympics, 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 2009/10 and beyond. The Statement of Financial Activities apportions the cost of support services (directorate, 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

The Gallery turned in a strong performance in the year, despite the difficult economic climate. As with previous years, grant-in-aid funding from the Department for Culture, Media and Sport represented under half of total income received in the year, with self-generated income accounting for between 50% – 60% of total income. Self-generated income (including Trading Department income) exceeded the Gallery's original budgeted target for the year by 9%. This was due to strong exhibition admission figures arising in particular out of the *Beatles to Bowie*, *Gerhard Richter* and *Gay Icons* exhibitions, strong retail and publications sales in association with these exhibitions and fluctuations in foreign exchange rates which, as in 2008/09, have substantially increased the value of foreign currency donations. The table on pages 22 and 23 demonstrates that the Gallery has performed well against the majority of performance indicators included as part of the Gallery's Funding Agreement with DCMS.

Statement of Financial Activities

During the year, the Gallery received £7,244,000 (£7,053,000 in 2008/09) in revenue grant-in-aid from DCMS, a 2.7% increase on the previous year, and £500,000 in capital funding. The Gallery also received an allocation of £160,000 from the Strategic Commissioning Fund (jointly sponsored by the DCMS and the Department for Children, Schools and Families, DCSF) with a further equivalent amount committed for the following financial year. 2009/10 grant-in-aid per visitor to St Martin's Place was £3.90, 7% lower than the figure of £4.19 achieved in 2008/09, maintaining the Gallery as very effective within the museums and galleries sector in terms of this key performance indicator. Grant-in-aid represented 43% of total income received in 2009/10.

Overall, however, total incoming resources were 10% lower than in 2008/09, with self-generated income being 17% lower. This was because 2008/09 was an exceptional year for income, including several appeals for acquisitions – when in 2009/10 there were none – a Gala evening, Publications earning income of £1 million and a particularly favourable dollar exchange rate which significantly enhanced the second tranche of the Lerner funding received in that year. Notwithstanding this, 2009/10 was still a good year for self-generated income. Gross self-generated income represented 57% of total income, compared to 61% in 2008/09. This, however, continued the overall trend in the last five years with self generated income accounting for a much larger proportion of total income. Retail also had a very good year, increasing sales by 3% compared to 2008/09 (see Note 2c). Publications also performed well, earning £532,000, although not as good as 2008/09 which was an exceptional year with earnings of over £1 million. 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 and the Picture Library both saw income fall compared to 2008/09. Venue hire and corporate membership experienced difficult trading conditions in the first half of the year, but saw an improvement in the second half of the year, indicating an improvement in the corporate sector. Voluntary income was also lower than in 2008/09, but the income in that year was bolstered by several appeals for acquisitions – one being for the painting of Lady Dacre and her son, which itself raised nearly £700,000.

Self-generated income benefited by the receipt of the third and final 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 £444,000.

Overall, resources expended rose by 3%. The primary cause of this increase was the rise in depreciation of over £500,000 compared to the previous year, which also resulted in a substantial rise in Support Costs of 11% compared to 2008/09. The cause of this rise was a significant increase in the Office of National Statistics indices

used to revalue the Gallery's plant and machinery. Total resources expended net of Support Costs were 1% lower than in 2008/09.

Total staff costs as a proportion of total resources expended rose to 52%, from 51% in the previous year. However, the average cost per employee rose by 0.45%, even though staff numbers increased by 5%.

Balance Sheet

During the year, the Gallery undertook a restructuring of its fixed asset reserves with a view to simplifying their presentation. In past years the reserves had been structured according to the funding sources for the fixed assets within them. Over time, the arrangement according to funding source has lost its significance and the Gallery's management decided that a more meaningful structure should be implemented, based on the Gallery's ability to dispose of the assets. The restructure resulted in £4 million of unrestricted fixed assets (land and buildings) being reclassified as restricted fixed assets, and £9 million of restricted assets (plant and machinery) reclassified as unrestricted assets. The revised structure means that all Gallery land and buildings are contained within restricted funds. Likewise, all plant and machinery and furniture and equipment is now contained within unrestricted funds, together with the plant and machinery from its commercially rented store at Merton. Note 12 provides more detail about the restructure of the reserves and the new funds created as a result.

Unrestricted Funds

The restated brought forward Unrestricted Funds balance of £15.3 million was increased by £799,000 during the year. The closing balance was £16.1 million of which £10.7 million represents the capital assets – plant and machinery and furniture and equipment – funded from self-generated income (which are therefore not available to spend). £5.2 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2010/11 (held in the Deferred Projects Fund). On this occasion £24,000 was transferred from Investment and Contingency to clear the deficit balance in the Collections Purchase Fund. In future this fund will provide the means through which acquisitions purchased with unrestricted income can be transferred to the restricted Capitalised Collections Fund. The General Fund has been adjusted down to £250,000 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 prolonged period where the public sector finances will be under considerable strain.

Restricted Funds

The restated brought forward Restricted Funds balance of £54.5 million was reduced by £156,000. The closing balance of £54.3 million consists of £37.8 million representing the Gallery's land and buildings, and £10.6 million representing donations for capitalised acquisitions (including the value of donated objects); neither of these amounts is therefore available to spend. The balance of £6 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 professionally at 31 March 2009. In accordance with Treasury guidance, the Gallery has adopted a policy of using appropriate indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery, in the years when they are not professionally re-valued. Other classes of assets 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 2010 was £37.8 million.

Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2009/10 the Gallery paid approximately 74% of its invoices within 30 days of the invoice date, compared to 69% in 2008/09. However, it paid 85% of the invoices within 30 days of receipt of the invoice, in accordance with its terms and conditions of purchase.

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 £35,000 in Charinco (managed by Black Rock Investments) and COIF (managed by CCLA), which are both common investment funds (see Note 7).

During 2009/10 the Gallery established an Investment Committee tasked with preparing an investment strategy for the Gallery's and Portrait Fund's cash reserves. The Committee was created following a review of the present investment strategy in the light of the significant reduction in interest rates for reserves held in the form of cash, and the Trustees' decision that it would be prudent to consider investing the reserves in investments other than cash, where this is appropriate. Three external members (Anthony Brooke, Jeremy Sillem and Ben Whitmore) were invited onto the Committee, which is chaired by Amelia Chilcott Fawcett CBE. The Committee identified several investment advisors it considered should be invited to submit proposals for the investment of the reserves. Interviews with these investment advisors have been arranged early in the new financial year. Following these interviews, the Committee will make a recommendation to the Board of Trustees of the Gallery and the Portrait Fund as to which firm the Committee considers should be appointed. At the same time a draft investment strategy will be submitted for approval by the Trustees.

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 £250,000 in the General Reserve equates in total to approximately 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.

£2 million of the £4.66 million balance as at 31 March 2010 has been allocated to specific projects for these purposes in 2010 to 2013. A further £0.55 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 £0.6 million is expected to be spent in 2010/11.

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 now has a permanent contract of employment, effective from November 2009, with a 6 month notice period and its terms are agreed with the Department for Culture, Media and Sport. Prior to this he was employed on a seven year fixed term contract of employment. The Director's contract is open ended until he reaches the normal retiring age of 65, which is standard for all Gallery staff with the exception of staff employed on a fixed term basis. Early termination, other than for misconduct, would result in the Director receiving compensation as set out in the Civil Service Compensation Scheme.

The two Deputy Directors hold appointments, which are also open-ended until they reach the normal retiring age of 65. 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 31/3/10 and related lump sum £000	CETV at 31/3/09 £000	CETV at 31/3/10 £000	Real increase in CETV £000
Sandy Nairne <i>Director</i>	110-115 (115-120)	2.5-5	50-55	534	654	72
Pim Baxter <i>Deputy Director</i>	70-75 (65-70)	0-2.5 Plus lump sum of 2.5-5	10-15 Plus lump sum of 30-35	210	244	20
Jacob Simon <i>Deputy Director</i>	70-75 (70-75)	0-2.5 Plus lump sum of 2.5-5	35-40 Plus lump sum of 100-105	746	773	27

The CETV at 31/3/09 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 2009/10 (none also in 2008/09).

The Trustees neither received nor waived any emoluments during the year (also in 2008/09). Expenses reimbursed or paid on behalf of three Trustees amounted to £521, all relating to travel and subsistence (in 2008/09, £551 for travel and subsistence of two Trustees).

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 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 20). 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 1.5% of the bonus can be consolidated, although this may vary in line with guidance issued by HM Treasury from time to time.

The remuneration of the Director, Sandy Nairne, was £106,549 and a bonus of £8,250. The bonus was set at a lower level this year to reflect the constraints affecting public sector funding. In 2008/09 the remuneration of the Director, Sandy Nairne, was £101,531, and a bonus of £15,230 – which consisted of a consolidated element of £1,523 and a non-consolidated element of £13,707. The allocation of the Director’s 2009/10 bonus between consolidated and non-consolidated elements cannot be determined until the outcome of the 2010/11 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 ‘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 initial 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 their 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 buying additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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
1 July 2010



Professor Sir David Cannadine
Chairman of Trustees
1 July 2010

THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2009 and 1 July 2010, the date on which the accounts were signed, the Trustees were:

Zeinab Badawi

Professor Dame Carol Black (from 8 March 2010)

Sir Nicholas Blake*

Dr Rosalind P Blakesley (from 8 March 2010)

Professor Sir David Cannadine, FBA, FRSL (Chairman)

Dr Augustus Casely-Hayford*

The Marchioness of Douro

Amelia Chilcott Fawcett, CBE (Deputy Chairman) # ‡

The Rt Hon The Lord Janvrin GCB GCVO QSO ‡

Professor Ludmilla Jordanova (to 6 December 2009)

David Mach, RA

Sir Christopher Ondaatje, OC, CBE # (to 18 December 2009)

Sir William Proby Bt CBE DL (from 6 July 2009)

David Ross * (from 6 July 2009)

Professor Sara Selwood *

Marina Warner CBE FBA

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 Baroness Royall of Blaisdon (to 5 June 2009)

Lord President of the Council – The Rt Hon Lord Mandelson (from 5 June 2009 to 11 May 2010)

Lord President of the Council – The Rt Hon Nick Clegg MP (from 11 May 2010)

* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Professor Sara Selwood until 20 October 2009, and then Mr David Ross from 21 October 2009. 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 2009).

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

‡ Investment Committee members. The Chair of the Investment Committee is Amelia Chilcott Fawcett, CBE.

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
157 Buckingham Palace Road
London SW1W 9SP

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

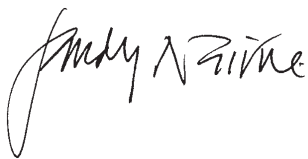
Solicitors: Farrer & Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
Devon EX2 5WR

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2009/10. The audit fee in respect of this work was £26,000 (£23,100 in 2008/09). 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 2008/09).

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: Moore Stephens LLP
St Paul's House
Warwick Lane
London EC4M 7BP



Sandy Nairne
Accounting Officer
1 July 2010



Professor Sir David Cannadine
Chairman of Trustees
1 July 2010

PERFORMANCE AGAINST 2009/10 FUNDING AGREEMENT INDICATORS

The Gallery's Funding Agreement with the Department for Culture, Media & Sport contains 21 separate performance indicators. Seventeen of the indicators are stipulated by the Department, with a further 4 chosen by the Gallery. The table below includes the 17 indicators stipulated by DCMS, and 2 of the 4 chosen by the Gallery. (Of the remaining two indicators, one 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; the other is a more detailed indicator than that stipulated by DCMS and is disclosed in the table instead). 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	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,426	1,469	1,529	1,665	1,646	1,834	1,984
Number of unique users visiting the website (000s)		2,578	4,543	7,300	9,888	14,869	*15,546	12,205
Number of visits to the Gallery by children aged 15 or under (000s)		71	93	81	85	151	*173	157
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from NS-SEC groups 5-8 (000s)	2	114	142	75	107	82	*114	189
Number of visits to the Gallery by adult UK visitors (aged 16 or over) from BAME background (000s)	3	86	88	61	83	165	*263	200
Number of visits to the Gallery by adult UK visitors (aged 16 or over) who consider themselves as disabled (000s)	3	-	-	-	-	66	*89	37
Number of overseas visits (000s)	3	356	308	398	500	560	680	712
Number of facilitated and self-directed visits to the Gallery by children aged 15 and under (000s)	3	-	-	-	-	38	*43	37
Number of instances of children aged 15 and under participating in on-site organised educational sessions (000s)	3	-	-	-	-	15	*4	4
Number of instances of children aged 15 and under participating in outreach activity outside the Gallery (000s)	4	-	-	-	-	4	*4	5
Number of instances of adults aged 16 and over participating in on-site organised activities (000s)	3	-	-	-	-	43	*35	32
Number of instances of adults aged 16 and over participating in outreach activities outside the Gallery (000s)	3	-	-	-	-	1	1.2	1

% of visitors who would recommend a visit	7	–	99	99	97	99	98	99
Profit from trading company (£000)	5	–	–	–	n/a	509	449	444
Income from Exhibition Admissions and touring (£000)	3	657	677	842	1,504	1,324	2,063	1,716
Income from fundraising (£000)	6	–	1,360	2,491	2,788	4,117	5,195	4,014
Total expenditure on exhibitions	3	843*	815*	1,124*	1,159*	1,114	1,336*	1,270
Number of UK loan venues	3	98	90	42	47	57	*108	165
Number of new acquisitions	3	128	95	93	81	200	32	57

* Figures have been re-stated, to ensure that from 2008/09 onwards they are prepared on a consistent basis.

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, Olympics, 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
1 July 2010



Professor Sir David Cannadine
Chairman of Trustees
1 July 2010

*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 Gallery 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. The system of internal control has been in place in the Gallery for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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 Team, 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 Corporate 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. 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-evaluates the risks on this register, based on their potential impact and likelihood of occurrence. The evaluation 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. The Corporate Risk Register includes an additional area of risk relating to Governance and Management Effectiveness.

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.

Key risks prevalent during the year included the impact of the recession on the income earning potential of certain of the Gallery's business activities, and the increase in costs owing to the falling value of sterling. Looking ahead, there was also the risk posed to the Gallery's future budgets by the poor state of the public finances. The Gallery also had to respond to the potential threat to its intellectual property from free access internet communities like Wikipedia. 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 revised and updated Risk Management Policy, and approved a revised Anti-Fraud Policy.
- *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 review and update their Departmental Risk Registers.
- *To extend and broaden the range of audiences* – dialogue opened with free access internet communities to discuss how copyright over images would be respected in order to minimise the risk of unauthorised usage.
- *To maximize the financial resources* – senior management undertook recession planning to rebalance the budgets in future years and prepare for the outcome of the 2011-14 Spending Review. The Company Board developed further the business strategies to maximise Company income in future years. An Investment Committee was created to prepare and implement an investment strategy for the Gallery's and Portrait Fund's reserves.
- *To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards* – work continued to improve the Gallery's IT network and web security, including the commencement of a project to upgrade the Gallery's telephone system. New policies were introduced covering Gifts and Hospitality.

5. Managing Information Risk

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. The Committee was updated on actions to remedy areas of weakness identified during an earlier review in 2009. The Committee was also updated on actions the Gallery was taking in response to the Cabinet Office's Security Policy Framework, which included actions specific to preparing a consolidated Information Security Policy, the need for a policy on remote working, and implementing a process for screening incoming electronic mail. The Gallery continued with compulsory data protection training for all staff. Internal audits of IT security and data protection were undertaken in the year, and the findings were shared with Audit & Compliance Committee. Neither of the audits found serious flaws in the IT and data protection controls, although a number of recommendations were made which are being implemented.

6. 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.

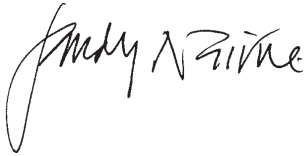
The *Head of Internal Audit* issues an annual report to the Accounting Officer, which includes his/her opinion of risk management in the Gallery and a statement of assurance on internal control. The annual report provided the Accounting Officer with reasonable assurance on the effectiveness of the Gallery's risk management, control and governance processes reviewed as part of the 2009/10 internal audit plan.

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.

7. 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). The actions taken in response to weaknesses in certain cash handling processes mentioned in the 2008-09 Statement on Internal Control have remained effective, as there was no recurrence of the cash losses experienced in the prior year.



Sandy Nairne
Accounting Officer
1 July 2010



Professor Sir David Cannadine
Chair of Trustees
1 July 2010

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 2010 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Gallery Balance Sheet, 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' and Accounting Officer's 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, Olympics, Media and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliamentary grant and grant-in-aid. 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, Olympics, Media and Sport, with the consent of Treasury. I report to you whether, in my opinion, the information, which comprises Structure, Governance and Management; Objectives; Activities, Performance and Planned Future Developments; Financial Review; Board of Trustees and Professional Advisors; and Performance against 2009/10 Funding Agreement Indicators, included in the Trustees' and Accounting Officer's Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources/ expenditure funded by Parliamentary grant and grant-in-aid 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 corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees' and Accounting Officer's Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction and the unaudited part of the Remuneration Report. 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 Accounting Officer 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 Parliamentary grant and grant in aid 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, Olympics, Media, and Sport with the consent of the Treasury, of the state of the National Portrait Gallery and of the Group's affairs as at 31 March 2010 and of the 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 directions made thereunder by the Secretary of State for Culture, Olympics, Media, and Sport with the consent of the Treasury; and
- the information, which comprises Structure, Governance and Management; Objectives; Activities, Performance and Planned Future Developments; Financial Review; Board of Trustees and Professional Advisors; and Performance against 2009/10 Funding Agreement Indicators, included within the Trustees' and Accounting Officer's 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 Parliamentary grant and grant-in-aid 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
9 July 2010

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Unrestricted Funds £000	Restricted Funds £000	2010 Total £000	2009 Total £000
INCOMING RESOURCES					
Grant in Aid	2a	7,564	180	7,744	7,693
Incoming resources from generated funds					
Voluntary Income	2b	1,650	2,364	4,014	5,195
Activities for generating funds	2c	3,270	–	3,270	3,783
Investment income	3	51	33	84	416
Incoming resources from charitable activities					
Exhibitions admissions and touring income		1,716	–	1,716	2,063
Exhibition and programme sponsorship income		854	–	854	629
Learning and access income		53	–	53	32
Other income		209	–	209	105
Total incoming resources		15,367	2,577	17,944	19,916
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income	5	649	14	663	643
Fundraising trading: cost of goods sold and other costs	5	2,744	14	2,758	3,168
Total costs of generating funds		3,393	28	3,421	3,811
Resources expended on charitable activities					
Extending and broadening audiences	5	2,929	431	3,360	2,894
Developing the Collection	5	4,166	139	4,305	4,019
Increasing understanding and engagement with the Collection	5	5,092	630	5,722	5,655
Governance costs	5	142	9	151	133
Total Resources expended		15,722	1,237	16,959	16,512
Net incoming/(outgoing) resources before notional costs					
		(355)	1,340	985	3,404
Notional costs					
Notional cost of capital	1(l)	(551)	–	(551)	(764)
Net incoming/(outgoing) resources after notional costs					
		(906)	1,340	434	2,640
Net incoming/(outgoing) resources for the year before transfers					
		(906)	1,340	434	2,640
Transfers between funds in year	12	(13)	13	–	–
Transfers between funds due to Gallery fund restructure	12	4,838	(4,838)	–	–
Net incoming resources for the year before other recognised gains and losses					
		3,919	(3,485)	434	2,640
Gains/(losses) on investments	7	4	–	4	(6)
Gain/(losses) on revaluation of fixed assets for charity's own use	12	1,163	(1,509)	(346)	(2,820)
Reversal of notional costs		551	–	551	764
Net movement in funds		5,637	(4,994)	643	578
Fund balances brought forward at 1 April		10,498	59,331	69,829	69,251
Fund balances carried forward at 31st March		16,135	54,337	70,472	69,829

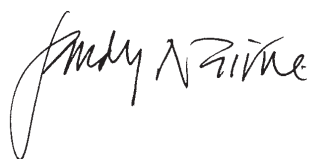
All operations of the Gallery continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

	Notes	£000	2010 £000	2009 £000
Fixed Assets				
Heritage Assets	6		10,556	9,502
Tangible assets	6		48,454	50,600
Available for Sale Financial Assets – Investments	7		35	31
			59,045	60,133
Current Assets				
Stock	10	270		289
Debtors and prepayments	9	1,024		717
Cash at bank and in hand	8	11,855		10,347
			13,149	11,353
Current Liabilities				
Creditors (amounts falling due within one year)	11		1,722	1,657
Net Current Assets			11,427	9,696
Net Assets			70,472	69,829
Represented by:				
Restricted Funds				
	12		54,337	59,331
Unrestricted Funds				
Designated funds	12		15,885	10,198
General funds	12		250	300
Total Funds			70,472	69,829

The Unrestricted and Restricted Fund balances brought forward from 2008/09 have been adjusted to reflect the changes made to the structure of the Gallery's funds, as disclosed in Note 12. The adjusted fund balances carried forward as at 31 March 2009 are £15,336k for Unrestricted Funds and £54,493k for Restricted Funds.

The notes on pages 34 to 55 form part of these accounts.



Sandy Nairne
Accounting Officer
1 July 2010



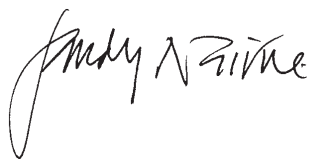
Professor Sir David Cannadine
Chairman of Trustees
1 July 2010

GALLERY BALANCE SHEET AS AT 31 MARCH 2010

	Notes	£000	2010 £000	2009 £000
Fixed Assets				
Heritage Assets	6		10,556	9,502
Tangible assets	6		48,454	50,600
Available for Sale Financial Assets – Investments	7		35	31
			<u>59,045</u>	<u>60,133</u>
Current Assets				
Stock	10	142		174
Debtors and prepayments	9	1,537		1,212
Cash at bank and in hand	8	11,404		9,909
			<u>13,083</u>	<u>11,295</u>
Current Liabilities				
Creditors (amounts falling due within one year)	11	1,656		1,599
			<u>11,427</u>	<u>9,696</u>
Net Current Assets			<u>11,427</u>	<u>9,696</u>
Net Assets			<u>70,472</u>	<u>69,829</u>
Represented by:				
Restricted Funds				
	12		54,337	59,331
Unrestricted Funds				
Designated funds	12		15,885	10,198
General funds	12		250	300
			<u>70,472</u>	<u>69,829</u>

The Unrestricted and Restricted Fund balances brought forward from 2008/09 have been adjusted to reflect the changes made to the structure of the Gallery's funds, as disclosed in Note 12. The adjusted fund balances carried forward as at 31 March 2009 are £15,336k for Unrestricted Funds and £54,493k for Restricted Funds.

The notes on pages 34 to 55 form part of these accounts.



Sandy Nairne
Accounting Officer
1 July 2010



Professor Sir David Cannadine
Chairman of Trustees
1 July 2010

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	18(a)	2,150	4,178
Capital expenditure and financial investment	18(b)	(726)	(2,875)
Management of liquid resources	18(b)	-	-
Return on investments and servicing of finance	18(b)	84	416
Increase in cash in the year		<u>1,508</u>	<u>1,719</u>

The notes on pages 34 to 55 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

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 Culture, Media 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.

1. ACCOUNTING POLICIES (CONTINUED)

Restricted funds:

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

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. IT hardware and software assets which cost more than £1,000 are also capitalised, as too are laptops, PC monitors and central processor units. 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 and other appropriate indices are used to adjust the net book value of the assets. In 2009/10 indices provided by BNP Paribas Real Estate were used to value Gallery land and buildings, and National Statistics were used to value Gallery plant and machinery. 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. Impairment reviews are carried out at the end of each reporting period, in accordance with FRS11, to ensure that the carrying values of the assets reflect the recoverable amounts.

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 and 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 – 10 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 Limited. Further disclosure is provided about the loan in Note 9.

Trade and other debtors falling due within 1 year are recorded at their carrying values.

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

1. ACCOUNTING POLICIES (CONTINUED)

charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Gallery recognises the contributions payable for the year.

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. For the purposes of calculating the notional cost of capital, assets included within the Restricted Fixed Assets Fund are treated as donated assets.

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	Total 2010 £000	Total 2009 £000
Running costs	7,244	–	7,244	7,053
Capital costs	320	180	500	640
			7,744	7,693
Comprising: Request for resource 1			7,744	7,693

£7,744,000 of Grant-in-Aid was received during the year (£7,693,000 in 2008/09).

This money is available for running costs, capital improvements and collection purchases; of this, £180,000 was utilised by the Gallery towards Primary Collection acquisitions.

2b. VOLUNTARY INCOME

	Unrestricted Funds £000	Restricted Funds £000	Total 2010 £000	Total 2009 £000
Fundraising dinners	41	4	45	280
Individual giving	397	–	397	259
Grants and donations	1,170	368	1,538	1,791
Donated acquisitions	–	714	714	113
Donations for acquisitions	–	1,278	1,278	2,538
Legacies	–	–	–	161
Other fundraising income	42	–	42	53
	1,650	2,364	4,014	5,195

'Grants and donations' and 'Donations for acquisitions' include donations totalling £2.06 million representing the third and final 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 (£1,028,000 in Donations for acquisitions, through the Portrait Fund) and unrestricted funds (£1,028,000 in Grants and donations). 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	Total 2010 £000	Total 2009 £000
Corporate members	121	–	121	87
Publications	532	–	532	1,059
Picture Library	316	–	316	339
Trading income				
Gallery hire	237	–	237	266
Retail	1,731	–	1,731	1,672
Catering franchise	333	–	333	360
	3,270	–	3,270	3,783

3. INVESTMENT INCOME

	2010	2009
	£000	£000
Bank interest	82	414
Investment dividends	2	2
	84	416

4. NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS

is stated after charging:	2010	2009
	£000	£000
a) External auditors' remuneration		
National Audit Office	26	
Baker Tilly	9	32
b) Internal auditors' remuneration	26	13
c) Operating lease rentals on land and buildings	66	64
d) Operating lease rental on fixtures & equipment	9	12
e) Cost of capital	551	764
f) Depreciation	2,204	1,686
g) Loss on disposal of fixed assets	2	-

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	2010 Total £000	2009 Total £000
Costs of generating funds				
Costs of generating voluntary income	454	209	663	643
Fundraising trading: cost of goods sold and other costs				
Charitable trading	1,129	242	1,371	1,833
Non-charitable trading	1,093	294	1,387	1,335
Total costs of fundraising trading	2,222	536	2,758	3,168
Extending and broadening audiences				
Publicity and information	1,197	61	1,258	1,169
National programme	230	34	264	249
Learning and access	1,099	739	1,838	1,476
	2,526	834	3,360	2,894
Developing the Collection				
Collection management	2,975	1,330	4,305	4,019
Increasing understanding and engagement with the Collection				
Research and documentation	1,321	847	2,168	2,030
Exhibitions and display	1,532	2,022	3,554	3,625
	2,853	2,869	5,722	5,655
Governance costs	83	68	151	133
	11,113	5,846	16,959	16,512

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 2010 £000	Total 2009 £000
Costs of generating voluntary income	19	9	(1)	37	15	23	107	209	199
Charitable trading	20	10	(2)	38	26	40	110	242	250
Non-charitable trading	5	12	8	18	84	-	167	294	285
Costs of generating funds	44	31	5	93	125	63	384	745	734
Publicity and information	5	2	(2)	8	11	14	23	61	82
National programme	4	1	1	5	4	4	15	34	49
Learning and access	20	10	(1)	39	211	346	114	739	652
Extending and broadening audiences	29	13	(2)	52	226	364	152	834	783
Collection management	8	62	(6)	13	211	341	701	1,330	1,188
Developing the Collection	8	62	(6)	13	211	341	701	1,330	1,188
Research and documentation	41	22	(3)	84	174	285	244	847	718
Exhibitions and display	24	12	(3)	47	680	1,125	137	2,022	1,801
Increasing understanding and engagement with the Collection	65	34	(6)	131	854	1,410	381	2,869	2,519
Governance costs	4	2	-	5	16	26	15	68	64
Total	150	142	(9)	294	1,432	2,204	1,633	5,846	5,288

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

The £9,000 credit under Finance and Planning support costs is as a result of the inclusion of over accruals on Gallery security costs, and the write back of a provision raised in previous years for security costs which were waived by partnership organisations in exchange for the Gallery waiving exhibition income fees due to it.

GOVERNANCE COSTS

	2010	2009
	£000	£000
Breakdown of direct costs		
Trustees' meetings and expenses	3	3
Internal Audit	26	13
External Audit	26	23
Finance and Planning costs	28	30
	83	69

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

	2010	2009
	£000	£000
		Restated
Staff costs during the year amounted to:		
Wages and salaries	7,230	6,823
National Insurance	510	472
Pension	1,077	1,051
	8,817	8,346
Of which salaries capitalised for digitising the Collection:	34	80

The Wages and salaries and Pension figures have been restated for 2008/09, as employers contributions to partnership pension accounts had previously been included in Wages and salaries and have now been included within the Pension figure.

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 2009/10, the value of the seconded staff costs was £492,000 (£478,000 in 2008/09) which was equivalent to 20.5 full time staff (20.5 in 2008/09).

The Trustees neither received nor waived any emoluments during the year (also in 2008/09). Expenses reimbursed or paid on behalf of three Trustees amounted to £521, all relating to travel and subsistence (in 2008/09, £551 for travel and subsistence of two Trustees).

5. TOTAL RESOURCES EXPENDED (CONTINUED)

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 (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 2009/10, employers' contributions of £1,056,347 were payable to the PCSPS (2008/09 £1,032,541) at one of four rates in the range 16.7% to 24.3% (2008/09 17.1% to 25.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 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 £20,434 (£18,422 in 2008/09) 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 £1,692 (£1,516 in 2008/09), 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 £2,206 (2008/09 £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 (4 in 2009/10) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2010	2009
£60,001 – £70,000	2	3
£70,001 – £80,000	2	1
£110,001 – £120,000	1	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	2010 Number	2009 Number
Costs of generating voluntary income	14	–	14	14
Charitable trading	15	–	15	14
Non-charitable trading	16	–	16	16
Extending and broadening audiences				
Publicity and information	3	–	3	3
National programme	2	–	2	3
Learning and access	14	1	15	14
Developing the Collection				
Collection management	70	22	92	87
Increasing understanding and engagement with the Collection				
Research and documentation	30	2	32	27
Exhibitions and display	18	–	18	17
Governance	2	–	2	2
Support	35	–	35	35
	219	25	244	232

As at 31 March 2010, 57 staff had season ticket and training loans outstanding worth a total of £53,187 included in Other Debtors (2008/09 53 staff had loans totalling £47,430).

6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Total tangible assets £000	Heritage assets £000	Total £000
Valuation/cost at 1 April 2009	40,100	10,305	2,964	53,369	9,502	62,871
Additions	–	63	343	406	1,054	1,460
Disposals	–	(355)	(1,090)	(1,445)	–	(1,445)
Revaluation adjustment	(1,509)	1,163	–	(346)	–	(346)
Transfer of assets	–	–	–	–	–	–
Valuation/cost at 31 March 2010	38,591	11,176	2,217	51,984	10,556	62,540
Depreciation at 1 April 2009	–	355	2,414	2,769	–	2,769
Disposals	–	(355)	(1,088)	(1,443)	–	(1,443)
Depreciation	789	1,100	315	2,204	–	2,204
Revaluation adjustment	–	–	–	–	–	–
Depreciation at 31 March 2010	789	1,100	1,641	3,530	–	3,530
Net book value at 31 March 2010	37,802	10,076	576	48,454	10,556	59,010
Net book value at 31 March 2009	40,100	9,950	550	50,600	9,502	60,102

Tangible fixed assets relate to the Gallery. The Company has no fixed assets. £1,090,000 of furniture and equipment disposals and £355,000 of plant & machinery disposals relate to the removal from the accounts of fully written down and out of use assets.

6. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value at 31 March 2010 represents fixed assets for:

	Land & buildings £000	Plant & Machinery £000	Furniture & equipment £000	Heritage assets £000	Total £000
Charitable activities	34,224	9,122	522	10,556	54,424
Other activities	3,578	954	54	0	4,586
Total	37,802	10,076	576	10,556	59,010

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.

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, fit out and plant and machinery. Structural and fit out 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, and were brought into the balance sheet as at 31 March 1994 at a value of £9.1 million (including plant and machinery). 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 decided to renew the Merton lease on a short term basis, for a further 30 months from May 2009.

The net book value of land and buildings relates to:

	£000
Freehold	37,018
Long term lease (greater than 50 years)	-
Short term lease (less than 50 years)	784
	<u>37,802</u>

7. AVAILABLE FOR SALE FINANCIAL ASSETS – INVESTMENTS

Fixed asset investments

	Black Rock (Charinco) £000	CCLA (COIF) £000	2010 £000	2009 £000
Market value at 1 April 2009	17	14	31	37
Net gain/(loss) on revaluation	–	4	4	(6)
Market value at 31 March 2010	17	18	35	31
Historical cost at 31 March 2010	13	4	17	17
Unrealised Investment Gains at 31 March 2010	4	14	18	14

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

	2010 £000	2009 £000
Investment assets in the UK	35	31
	35	31

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 £435,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 99.94% 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 £1,581 (£2,115 in 2008/09).

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 £128,000 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; 99.7% 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 0.3% of the Gallery's financial assets are held in equities listed on a recognised stock exchange. However, as only a small proportion of income

£82,000 (2008/09 – £414,000) is generated from interest earned, the Gallery is not exposed to significant interest rate risk. Furthermore, the Gallery's budgets are reviewed and updated regularly to take account of fluctuations in interest rates to ensure that operations are not jeopardised in the event of a significant fall in investment income, as was experienced in 2009/10.

Interest rate profile

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

		Floating rate	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 2010							
Sterling	Floating	11,835	–	–	11,835	0.69	1 month
	Fixed	–	–	–	–	–	
US\$ Currency		4	–	–	4	0.01	"
Euro Currency		–	–	–	–	–	"
Other		–	–	51	51		
		11,839	–	51	11,890		
At 31 March 2009		£000	£000	£000	£000		
Sterling	Floating	10,321	–	–	10,321	4.40	1 month
	Fixed	–	–	–	–	–	
US\$ Currency		5	–	–	5	0.04	"
Euro Currency		–	–	–	–	–	"
Other		–	–	52	52		
		10,326	–	52	10,378		

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

Reconciled to the Balance Sheet

	2010 £000	2009 £000
Fixed Asset Investments	35	31
Current Asset Investments	–	–
Cash at Bank	11,855	10,347
Total	11,890	10,378

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	
	2010	2009	2010	2009
a) Debtors falling due within one year	£000	£000	£000	£000
Trade debtors	435	298	371	256
Less provision for bad debts	(65)	-	(65)	-
	370	298	306	256
Other debtors	294	77	282	66
Prepayments	57	37	56	36
Accrued income	303	265	266	193
VAT recoverable	-	40	-	40
Amounts due from the Company	-	-	604	575
	1,024	717	1,514	1,166
b) Debtors falling due after one year				
Amounts due from the Company	-	-	23	46
	-	-	23	46

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, £47,318 relates to a loan given by the Gallery on 1st April 2007. 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 £443,929 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31st March 2010.

	GROUP		GALLERY	
	2010	2009	2010	2009
b) Intra-Government Balances	£000	£000	£000	£000
Balances with Central Government Bodies	243	157	243	157
Balances with Local Authorities	20	8	11	8
Balances with Public Corporations and Trading Funds	1	-	1	-
Balances with NHS Bodies	-	-	-	-
Sub-total Intra-Government Balances	264	165	255	165
Balances with Bodies external to Government	760	552	1,259	1,001
	1,024	717	1,514	1,166

This note provides an analysis of the amounts owed to the Group by different groups of public sector bodies and bodies external to government.

10. STOCK

	GROUP		GALLERY	
	2010	2009	2010	2009
	£000	£000	£000	£000
Goods for resale	259	281	131	166
Work in progress	11	8	11	8
	270	289	142	174

11. CREDITORS AND ACCRUALS

a) Creditors falling due within one year

	GROUP		GALLERY	
	2010 £000	2009 £000 Restated	2010 £000	2009 £000 Restated
Trade creditors	180	127	177	115
Other creditors	123	105	123	105
Taxation and social security	227	157	227	157
Accrued expenses	737	1,034	700	988
Deferred income	408	234	382	234
VAT payable	47	-	47	-
	1,722	1,657	1,656	1,599

of which creditors for capital expenditure:

	20	-	20	-
--	-----------	---	-----------	---

Trade Creditors and Accrued expenses for 2008/09 have been restated to classify all invoices received after 31 March as accruals.

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

c) Intra-Government Balances

	GROUP		GALLERY	
	2010 £000	2009 £000	2010 £000	2009 £000
Balances with Central Government Bodies	391	118	391	118
Balances with Local Authorities	17	81	17	81
Balances with Public Corporations and Trading Funds	-	-	-	-
Balances with NHS Bodies	-	-	-	-
Sub-total Intra-Government Balances	408	199	408	199
Balances with Bodies external to Government	1,314	1,458	1,248	1,400
	1,722	1,657	1,656	1,599

This note provides an analysis of the amounts owed by the Group to different groups of public sector bodies and bodies external to government.

d) Movement on deferred income

	GROUP							Total £000
	Sponsorship £000	Theatre Hire & Con- ferences £000	Catering Franchise £000	Exhibition Fees £000	Registration Fees £000	Donations £000	Membership Fees £000	
Balance as at 1 April	55	-	-	12	47	5	115	234
Amounts released from previous years	(55)	-	-	(12)	(47)	(5)	(115)	(234)
Incoming resources deferred in the current year	205	8	26	12	56	-	101	408
Balance as at 31 March	205	8	26	12	56	-	101	408

The disclosure includes the deferred income related to the Group.

12. STATEMENT OF FUNDS

During the year, the Gallery undertook a restructuring of its fixed asset reserves with a view to simplifying their presentation. In past years the reserves had been structured according to the funding sources for the fixed assets within them. Over time, the arrangement according to funding source has lost its significance and the Gallery's management considered that a more meaningful structure should be implemented, based on the Gallery's ability to dispose of the assets. The restructure resulted in £4 million of unrestricted fixed assets (land and buildings) being re-classified as restricted fixed assets, and £9 million of restricted assets (plant and machinery) reclassified as unrestricted assets. The revised structure means that all Gallery land and buildings are contained within restricted funds, in the Restricted Fixed Asset Fund. Likewise, all plant and machinery and furniture and equipment is now contained within unrestricted funds, together with the plant and machinery from its commercially rented store at Merton, in the Unrestricted Fixed Asset Fund. The table below shows the transfers between the old and the new reserves.

		Adjustments					Balance at
	Note	Balance at 1 April 2009	Transfers to Restricted funds	Transfers from Restricted funds	Transfers to Unrestricted funds	Transfers from Unrestricted funds	1 April 2009 after adjustments
		£000	£000	£000	£000	£000	£000
Unrestricted funds	13						
Designated funds:							
Collections Purchase Fund		(24)	–	–	–	–	(24)
Collections Designated Fund	13	–	–	–	–	–	–
Capital Projects Reserve Fund		5,665	(3,788)	–	(1,877)	–	–
Fixed Asset Fund	13	–	–	8,623	–	1,877	10,500
Investment and Contingency Fund	13	3,704	–	3	–	–	3,707
The Portrait Fund	13	10	–	–	–	–	10
Deferred Projects Fund	13	843	–	–	–	–	843
Total designated funds		10,198	(3,788)	8,626	(1,877)	1,877	15,036
General Funds (Working Capital)	13	300	–	–	–	–	300
Total unrestricted funds		10,498	(3,788)	8,626	(1,877)	1,877	15,336
Restricted funds							
Development Projects Fund		24,064	(15,442)	–	(8,622)	–	–
Capital Reserve Fund (Non-donated Assets)		9,371	(9,371)	–	–	–	–
Capital Reserve Fund (Donated Assets)		11,501	(11,501)	–	–	–	–
Capitalised Acquisitions Fund		9,504	(9,504)	–	–	–	–
Fixed Asset Fund	14	–	36,314	–	–	3,786	40,100
Capitalised Collection Fund	14	–	–	9,502	–	–	9,502
		54,440	(9,504)	9,502	(8,622)	3,786	49,602
The Portrait Fund	14	4,403	–	–	–	–	4,403
Grants and Donations Fund	14	486	–	–	–	–	486
Dame Helen Gardner Bequest	14	2	–	–	–	–	2
		4,891	–	–	–	–	4,891
Total restricted funds		59,331	(9,504)	9,502	(8,622)	3,786	54,493
Total Funds		69,829	(13,292)	18,128	(10,499)	5,663	69,829

12. STATEMENT OF FUNDS (CONTINUED)

The following table shows the movements in the funds during the year.

	Note	Balance at 1 April 2009 after adjustments £000	Income £000	Expenses £000	Net gains/ losses £000	Transfers £000	Balance at 31 March 2010 £000
Unrestricted funds							
Designated funds:							
Collection Purchase Fund	13	(24)	–	–	–	24	–
Fixed Asset Fund		10,500	406	(1,417)	1,163	–	10,652
Investment and Contingency Fund		3,707	–	–	–	884	4,591
Portrait Fund		10	–	–	–	–	10
Deferred Projects Fund		843	–	(830)	–	619	632
Total designated funds		15,036	406	(2,247)	1,163	1,527	15,885
General Funds (Working Capital)	13	300	14,961	(13,475)	4	(1,540)	250
Total unrestricted funds		15,336	15,367	(15,722)	1,167	(13)	16,135
Restricted funds							
Fixed Asset Fund	14	40,100	–	(789)	(1,509)	–	37,802
Capitalised Collection Fund		9,502	893	–	–	161	10,556
		49,602	893	(789)	(1,509)	161	48,358
Portrait Fund		4,403	1,062	–	–	13	5,478
Grants and Donations Fund		486	620	(448)	–	(160)	498
Dame Helen Gardner Bequest Fund		2	2	–	–	(1)	3
		4,891	1,684	(448)	–	(148)	5,979
Total restricted funds		54,493	2,577	(1,237)	(1,509)	13	54,337
Total Funds		69,829	17,944	(16,959)	(342)	–	70,472

	As at 1 April 2009	Unrealised gains/ losses under fair value	Realised gains/ losses under fair value	As at 31 March 2010	Reserve/ Fund excl fair value as at 31 March 2010	Reserve/ Fund incl fair value as at 31 March 2010
Fair Value Reserve (Investments)						
Unrestricted General Fund	14	4	–	18	232	250

13. DESIGNATED FUNDS**COLLECTION PURCHASE FUND**

This fund consists of purchases made during the year for the enhancement of the Primary Collection which were funded from unrestricted income.

FIXED ASSET FUND

This fund represents the net book value of all the Gallery's furniture and equipment, (mainly IT equipment), and plant and machinery including that held at its rented storage facility in Merton.

INVESTMENT AND CONTINGENCY FUND

This fund represents a designation of surpluses to be invested in projects in accordance with the reserves policy. Transfers represent the year-end surplus transferred to this fund.

PORTRAIT FUND

This fund represented 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

This fund represents underspends generated this year which are to be employed in projects next year.

The projects include the replacement of the Gallery's telephone system, an access control system and other security equipment, and funding relating to the Later Victorian Catalogue and Making Art in Tudor Britain. Transfers represent the underspends identified in this year set aside for projects to be undertaken in future years.

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 £250,000 in the General Reserve equates in total to at least three-quarters of the average stock levels in the accounts.

14. RESTRICTED FUNDS**FIXED ASSET FUND**

This fund represents the net book value of the Gallery's restricted tangible assets. These assets consist of the main Gallery building – including the Ondaatje extension and the Duveen Wing – the Orange Street complex and the leased East Wing.

CAPITALISED COLLECTION FUND

This fund represents the value of Heritage Assets funded by restricted donations and Grant-in-Aid allocated to capitalised acquisitions for Collections. (For an explanation of the transfers, see Grants and Donations Fund below).

PORTRAIT FUND

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

This fund represents grants and donations given for a specified purpose. Transfers on this occasion represent heritage assets purchased with restricted income transferred to the Capitalised Collection Fund.

DAME HELEN GARDNER BEQUEST

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 at 31 March 2010 are represented by:

	Unrestricted		Restricted	Total
	Designated		General	
	£000	£000	£000	£000
Fixed Assets	10,652	–	48,358	59,010
Investments	–	35	–	35
Current Assets	5,233	1,884	6,032	13,149
Current Liabilities	–	(1,669)	(53)	(1,722)
Long term Liabilities	–	–	–	–
Total Net Assets	15,885	250	54,337	70,472

16. FINANCIAL COMMITMENTS

As at 31 March 2010 the Gallery had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:	2010		2009	
	Land and buildings £000	Other Operating Leases £000	Land and buildings £000	Other Operating Leases £000
Less than one year	-	-	-	2
One to two years	67	-	-	-
Two to five years	-	9	64	10

The figure for land and buildings represents the lease on the Merton store which expires in November 2011 with a determination date of 31 May 2011.

17. CAPITAL COMMITMENTS

	2010 £000	2009 £000
Capital expenditure contracted for but not provided in the accounts	-	152
Capital expenditure authorised but not contracted for	274	411

There was no capital expenditure contracted for but not provided at the year end. Capital expenditure authorised but not contracted for relates to various IT projects and plant and machinery upgrades, including completion of the fire stopping project.

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

	2010 £000	2009 £000
Net incoming/(outgoing) resources/surplus before revaluations	985	3,404
less: Investment income	(84)	(416)
Donated acquisitions	(714)	(113)
Loss on disposal of fixed assets	2	-
Depreciation	2,204	1,686
(Increase)/Decrease in debtors	(307)	82
(Decrease)/Increase in creditors	(129)	(356)
Increase/(Decrease) in deferred income	174	(142)
Decrease in stock	19	33
Net cash flow from operating activities	2,150	4,178

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

Payments to acquire tangible fixed assets	(726)	(2,875)
---	-------	---------

Return on investments and servicing of finance

Interest received	82	414
Investment dividends	2	2
	84	416

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

Increase in cash in period	1,508	1,719
Cash flow from change in liquid resources	-	-
Movement in net funds in the period	1,508	1,719
Net funds at 1 April	10,347	8,628
Net funds at 31 March	11,855	10,347

d) Analysis of net funds

	1 April 2009 £000	Cash flow £000	31 March 2010 £000
Cash at bank and in hand	10,347	1,508	11,855
Net funds	10,347	1,508	11,855

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:

	2010 £000	2009 £000
Profit and loss account		
Turnover	2,301	2,316
Cost of sales	(895)	(967)
Gross Profit	1,406	1,349
Administrative expenses	(963)	(919)
Trading Profit	443	430
Interest receivable	2	23
Loan interest payable	(1)	(4)
Profit on Ordinary Activities Before Taxation	444	449
Taxation	-	-
Profit on Ordinary Activities After Taxation	444	449
Balance sheet		
Tangible fixed assets	-	-
Current assets	689	679
Creditors	(244)	(229)
Payment under Gift Aid to Gallery	(444)	(449)
Net assets	1	1
Share capital and reserves	1	1

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

	2010 £000	2009 £000
Turnover	2,301	2,316
Intra group transactions	-	-
Trading income per Note 2c	2,301	2,316
Cost of sales	(895)	(967)
Administrative expenses	(963)	(919)
Taxation	-	-
Intragroup transactions	1,320	1,334
Trading costs included within SOFA	(538)	(552)
Interest receivable	2	23
Included in investment income per SOFA	2	23

20. CONTINGENT LIABILITIES

The Gallery has renewed the lease of its commercially rented store in Merton on a short term basis, following management's decision to consider alternative storage options. The present lease expires in November 2011. In the event that the Gallery vacates from the Merton store, dilapidations charges will be incurred in order to restore the store to its pre-leased state.

21. POST BALANCE SHEET EVENTS

The financial statements were authorised for issue by the Accounting Officer and Board of Trustees on the date of the audit certificate. There were no other significant post balance sheet events. The title of the Secretary of State changed to the Secretary of State for Culture, Olympics, Media and Sport.

On 24 May 2010 the Department for Culture, Media and Sport confirmed that the Gallery would receive a cut in its 2010/11 total near cash and non-cash allocation of 3%, amounting to £265k. The Gallery plans to accommodate this cut through savings, earning additional income and by drawing on its reserves. It does not intend to alter radically the programme for the visiting public planned for 2010/11.

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, National Gallery, 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, under normal business terms, with the following organisations in which either a Trustee or a member of management was regarded as having an interest:

<i>Trustee</i>	<i>Related party</i>	<i>Position held at related party</i>	<i>Transaction and balance details</i>
Professor Sir David Cannadine	National Trust	Member of Eastern Region Committee	£34,000 provided for project grants. £2,000 of postcard sales. Nil balance at year end.
Amelia Fawcett	Business in the Community	Director	£3,000 purchase for membership of Race of the Community. Nil balance at year end.
Amelia Fawcett	London Business School	Governor	£1,000 of income from hosting an event at NPG and sales of NPG guides. Nil balance at year end.
Augustus Casely-Hayford	Tate Gallery	Member of Tate Britain Council	£3,000 of purchases for welfare services and reproduction fees. £2,000 of sales for marketing distribution. Nil balance at year end.
Lord Janvrin	Tate Gallery	Close family member employed at Tate	£3,000 of purchases for welfare services and reproduction fees. £2,000 of sales for marketing distribution. Nil balance at year end.
<i>Gallery Management</i>			
Sarah Moir	Rocket Food Company	Close family member is director of company	£25,000 of purchases for events catering. £1,000 payable at year end.
Peter Funnell	British Academy	Member of Pictures Portraits and Decorations Committee	£2,000 of purchases for venue hire. Nil balance at year end.

Trustees: Amelia Fawcett became a Life-Patron donating £5,340 through American Friends. Dame Carol Black was a Member paying £50 donation. Professors Ludmilla Jordanova and Sara Selwood were Associates (£90 subscription and £160 donation) each.

Staff: Terence Pepper (the Gallery's Curator of Photographs) donated 10 photographs with an aggregated value of £2,250 to the Gallery's photographic collection. Jan Marsh (Picture Researcher) has sold an engraving to the Gallery for £300. As the author of the book "Insights: The Pre-Raphaelite Circle" published by the Gallery, she earned £289.60 as royalties on annual sales.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Telephone orders/general enquiries: 028 9023 8451

Fax orders: 028 9023 5401

ISBN 978-0-10-296803-3



9 780102 968033