

MUSEUMS AND GALLERIES ACT 1992

Accounts of the National Gallery prepared pursuant to Museums and Galleries Act 1992, c.44, section 9(7), for the year ended 31 March 2009, together with the Report of the Comptroller and Auditor General thereon.

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

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# The National Gallery Annual Report and Accounts for the year ended 31 March 2009

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 16th July 2009

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# Annual Report

## 1 The structure and role of the National Gallery

Full details of the structure and membership of the Board and of the principal officer of the Gallery are published in the Foreword to the Financial Statements.

The National Gallery houses one of the finest collections of Western European paintings in the world.

The collection belongs to the nation and it serves a wide and diverse range of visitors from the UK and overseas. The Gallery's role involves engaging the public in the experience of this great collection. It is open to all, 361 days a year, free of charge.

The entire National Gallery permanent collection and long-term loans are illustrated and described in the collection online:

[http://www.nationalgallery.org.uk/collection/default\\_online.htm](http://www.nationalgallery.org.uk/collection/default_online.htm)

## 2 Objectives

### **Care for the collection**

- n The chief priority of the Gallery is to protect the paintings for future generations.

### **Access to the collection**

- n The Gallery seeks to attract visitors with little or no previous experience of looking at Old Master paintings and helps those who have difficulty visiting the Gallery. Many of its visitors come from abroad and it serves a larger public through publications and information services, including the website. The Gallery is concerned to foster an interest in Old Master paintings in regional centres.

### **Interpretation and study of the collection**

- n The Gallery promotes understanding of the styles and techniques of painting and the historical study of pictorial imagery through education and academic programmes.

### **Enhancement of the collection**

- n The Gallery seeks constantly to improve the ways in which its paintings are presented whilst respecting the needs of the buildings, which are of historic significance. The display is enriched by loans as well as acquisitions.
- n The Gallery aims to amplify the visitor's experience of the collection through special exhibitions, including some international loan exhibitions, and through special displays. Such displays and exhibitions might feature work in other media and often involve partnerships with other national and international institutions.

### **Additions to the collection**

- n The Gallery is concerned to ensure that great Old Master paintings threatened with export do not leave the UK, and aims through acquisition to enhance both its own collection and those of other public galleries in the UK.

## Review of Activities and Achievements

### Care for the collection

#### *Objective<sup>1</sup>*

The chief priority of the Gallery is to protect the paintings for future generations.

#### *Activities during the year*

The Gallery continued its policy of maintaining the highest standards of excellence in preventive and remedial conservation, supported by pre-eminent scientific research. The Gallery undertakes ongoing reviews of measures to ensure the safety of the Collection, and continues to implement improvements to the existing disaster planning methodology.

Research and planning into the feasibility and safety of conservation treatment of Leonardo da Vinci's *The Virgin of the Rocks* has been conducted over a number of years, and in November 2008 the Trustees gave permission for a programme of treatment of the picture, involving cleaning and restoration, to begin. The work will be accompanied by detailed technical and analytical study of all aspects of the painting at the outset of its treatment and during the work; extensive documentation of the process is being undertaken.

During the year the very lengthy treatment of Guido Reni's *The Adoration of the Shepherds* was completed. This is the Gallery's largest painting and has to be rolled round a large cylinder to reach the Conservation studios and workshop. Though the picture is in very good condition the work needed was extensive, and began with the removal of a double wax lining dating from the 1950s. The varnish and retouchings put on then were removed and the back of the canvas prepared for relining. The size of the picture meant that the relining had to be done in three sections following which it was rolled again and brought up to the Conservation studios for filling, retouching and revarnishing. Four members of the Conservation department worked on this picture and its impact in the Gallery is far greater than before. It has traditionally hung on the vista from the Barry dome looking north.

Another major project, though on a smaller scale, was the cleaning, consolidation and restoration of one of the Gallery's earliest pictures the Umbrian School diptych of *The Virgin and Child and Christ as the Man of Sorrows* dating from about 1260. The two little panels were bought separately and reunited at the National Gallery in 1999. Following the Conservation treatment they were lent to the Byzantium exhibition at the Royal Academy.

The technical examination of paintings has continued to be an important part of the work of the Conservation department. Study of underdrawings in infrared reflectography has continued following the recent introduction of a new infrared camera by members of the Gallery's Scientific department.

#### *Future developments*

It remains a fundamental responsibility of the Gallery to protect the collection for the very long term. To that end the Gallery maintains the highest standards of excellence in preventive and remedial conservation supported by pre-eminent scientific research.

### Additions to the collection

#### *Objective<sup>2</sup>*

The Gallery is concerned to ensure that great Old Master paintings threatened with export do not leave the UK, and aims through acquisition to enhance both its own collection and those of other public galleries in the UK.

#### *Activities during the year*

Following a high-profile public campaign the National Gallery, London and the National Galleries of Scotland were delighted to be able to announce the acquisition of Titian's 'Diana and Actaeon'. The acquisition ensures that 'Diana and Actaeon' will remain on public display and in public ownership for the enjoyment of future generations. It is a tremendous addition to the National Gallery's already large

<sup>1 & 2</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) that the Board shall 'care for, preserve and add to the works of art and documents in their collection'

holding of eleven paintings by Titian and forms a marvelous counterpart to Titian's early and equally exquisite 'poesia', 'Bacchus and Ariadne'.

In August 2008 The National Gallery, London and the National Galleries of Scotland formed a partnership to raise the £50 million required to acquire the painting. Both galleries are grateful to the Duke of Sutherland for offering the painting at much below its market value and for giving us several years in which to make payments. Assurances have also been received that the rest of the Bridgewater Collection will remain on loan to the National Galleries of Scotland for the next twenty one years.

The public response to the campaign was overwhelming and both galleries would like to express their enormous gratitude to all supporters. The breakdown of funding is as follows and is receivable over three years:

- n £7.4 million in donations and pledges from individuals, trusts and the general public, of which £150,000 was donated via The Art Fund. (The amount raised from the general public in response to leaflets, direct mail, collection boxes, sales of badges and the media is circa £400,000).
- n £2 million from The Monument Trust
- n £1 million from The Art Fund
- n £10 million from the National Heritage Memorial Fund
- n £12.5 million Scottish Government Special purchase grant
- n £12.5 million from NGL, comprising £11.5 million from bequests, general donations and investment income from these sources and £1 million Grant-in-Aid
- n £4.6 million from NGS purchase funds, trust funds and reserves

The painting will be on view alternately at the National Galleries of Scotland, Edinburgh and the National Gallery, London.

#### *Future developments*

The vitality of the collection depends on continuing acquisitions. Over recent years the Gallery has succeeded in many imaginative ways to enhance the collection through acquisitions and loans and the partnership with National Galleries of Scotland to acquire Titian's 'Diana and Actaeon' was one such example.

It is difficult to see how the Gallery will be able to continue to seize such opportunities in future particularly given the challenging economic outlook and likely cuts in public funding. The Gallery would welcome changes to the existing structure for helping institutions to fund acquisitions, particularly in relation to incentives for individuals and corporations to encourage lifetime giving.

## **Access to the collection**

#### *Objective<sup>3</sup>*

The Gallery seeks to attract visitors with little or no previous experience of looking at Old Master paintings and helps those who have difficulty visiting the Gallery. Many of its visitors come from abroad and it serves a larger public through publications and information services, including the website. The Gallery is concerned to foster an interest in Old Master paintings in regional centres.

#### *Activities during the year*

The Gallery's Education Department has continued to run a diverse range of programmes for all ages through formal and informal learning. Lunchtime talks, courses of all kinds, lectures, study mornings and conferences have been joined by workshops and special events designed to appeal to the widest possible

<sup>3</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b) and (d) that the Board shall 'secure that the works of art are exhibited to the public' and 'generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate'.

range of audiences, while contemporary artists have come into the Gallery to teach, to take part in public discussions and work among the pictures.

*Take One Picture*, the National Gallery's countrywide scheme for primary schools, continues to go from strength to strength. The scheme invites primary schools throughout the UK to use a painting from the National Gallery's collection as a stimulus for learning across the curriculum. Hundreds of schools respond to the challenge, many of which submit work to the annual exhibition.

The provision of relevant, stimulating experiences for families encourages repeat visits and helps children to establish positive attitudes towards museum visiting. There are 'Magic carpet' story-telling sessions for under-5s, there are family workshops every Sunday and there are additional workshops during school holidays for those aged between five and seventeen.

The Gallery's outreach programme continues to expand. Its purpose is to establish contact and build relationships with people who do not visit museums for whatever reason. Groups who cannot access the Gallery such as children and young people in hospital schools, young offenders in an institute, those who have been socially excluded such as teenage mothers and the elderly are the focus. A successful partnership has been built with a family specific community organisation involving Talk and Play sessions for under-5s. The 'Line of Vision' scheme uses the collection to increase the confidence and educational aspirations of Looked After Children (those in long-term foster care). The Take Art Hospital project works with seventeen hospital schools and Inside Art works with young offenders to try and improve their self esteem as well as concentration and behaviour. There are also ESOL (English for Speakers of other languages) tours and special activities for older people.

The regular provision of lunchtime lectures, courses and workshops continued throughout the year

The education programme also explores links with other media. There have been several transcription projects which take the collection as a creative stimulus for creating short films, fine art, creative writing, animation, sound design and music. All the work produced by these transcription projects is available on the Gallery's website.

There are plans to improve the ways in which visitors are greeted and supplied with information. A special evening opening for the elderly and infirm has been organised in collaboration with the charity, Access2Art. The Gallery currently has audioguides in eleven foreign languages and floor plans in seven. The aim is to have both in fifteen languages by 2012. The number of rooms closed to the public has been greatly reduced during the course of the year by an improved recruitment system of Gallery Assistants. The improvement should continue in 2009-10.

The opening of the major exhibition *Picasso: Challenging the Past* coincided with the move of late night opening to Friday nights, in line with other London institutions. Visitors are encouraged to start their weekend at the National Gallery; these evenings feature music as well as lectures and readings.

#### *Future developments*

The Gallery will appoint a National Programme Manager in 2009-10 who will be responsible for co-ordinating its national programmes, from exhibitions to education and outreach programmes, and from academic partnerships to a new Subject Specialist Network, in order to maximise the effectiveness of its national role.

It is planned that the already busy Continuing Professional Development days will be extended to cover secondary schools, dedicated teachers' private views and other evening events. A major literacy project for secondary school pupils is also planned, using Titian's 'Diana and Actaeon'.

A pilot programme to extend Outreach activities, 'Inside Art' will begin by working with Young Offenders at HM Prison, Feltham, and there is a new collaboration with the Royal Ballet School connecting art and dance.

The programme of working with the elderly has been very successful and this will be developed further in 2009-10 through tailor-made projects. The student programme will also be expanded through an increased number of student study days, workshops, projects and connections with other institutions and organisations.

The new design for the Gallery's website will be implemented in 2009-10. A new post intended to improve and extend the content of the website on the Gallery's own history will be filled in the next financial year. All curators are working on material which will be incorporated on the website.



## Enhancement of the collection<sup>4</sup>

### Objective<sup>4</sup>

The Gallery seeks constantly to improve the ways in which its paintings are presented whilst respecting the needs of the buildings, which are of historic significance. The display is enriched by loans as well as acquisitions.

The Gallery aims to amplify the visitor's experience of the collection through special exhibitions, including some international loan exhibitions, and through special displays. Such displays and exhibitions might feature work in other media and often involve partnerships with other national and international institutions.

Capital projects during the year included first phase of the refurbishment of the lower floor galleries, which will provide a new ground floor space for special displays and exhibitions. This new exhibition space will enable the National Gallery to make more use of paintings in reserve, and to foster academic links with University departments throughout the UK. It will also function as a showcase for the cross-curricular work the Gallery carries out with schools all over the UK, highlighting the importance of that work and providing a focus for schools to visit and be inspired by seeing their work on display.

### Exhibitions

Twelve temporary exhibitions were open during the year, as set out below:

Venue	Exhibition	Attendance to 31 March 2009
Sainsbury Wing	<i>Pompeo Batoni</i> (£)	21,829
Sainsbury Wing	<i>Radical Light: Italy's Divisionist Painters 1891-1910</i> (£)	37,609
Sainsbury Wing	<i>Renaissance Faces: Van Eyck to Titian</i> (£)	103,068
Sainsbury Wing	<i>Picasso: Challenging the Past</i> (25 February – 7 June 2009) (£)	69,066
Sunley Room	<i>Alison Watt: Phantom</i>	111,225
Sunley Room	<i>Love</i>	109,601
Sunley Room	<i>Sisley in England and Wales</i>	121,342
Room 1	<i>The Landscape Oil Sketch</i>	79,984
Room 1	<i>Take One Picture</i>	113,461
Room 1	<i>Titian's 'Diana &amp; Actaeon'</i>	58,342
Room 1	<i>Picasso's Prints: Challenging the Past</i> (25 February 2009 – 7 June 2009)	86,264
Room 42	The Simon Sainsbury Bequest to the National Gallery	119,873

(£) = charging exhibition

Opening in June 2008, *Radical Light: Italy's Divisionist Painters 1891-1910* was jointly organised with the Kunstauss Zürich, and explored the complex relationship between Italian Divisionism and the emerging Futurist movement in the early years of the 20th century. It was the first exhibition of its kind to be organised outside Italy and offered a unique opportunity to explore a lesser-known, yet undoubtedly important movement.

In the Autumn, *Renaissance Faces: Van Eyck to Titian* provided a rare opportunity to explore Renaissance portraiture in exceptional depth, displaying over sixty paintings alongside important sculptures, drawings and medals. It provided fresh insights into fundamental issues of likeness, memory and identity, while revealing a remarkable community of princes, envoys, merchants, clergymen, tradesmen and artists.

The hugely popular exhibition *Picasso: Challenging the Past* examines the paintings of Pablo Picasso in relation to the European painting tradition that, throughout his life, served as a catalyst and provocation to his art. Both *Renaissance Faces: Van Eyck to Titian* and *Picasso: Challenging the Past* which opened on 25 February 2009 have met visitor number targets.

The exhibitions in the Sunley Room and Room One continue to illuminate different aspects of the collection. In the autumn of 2008 large crowds came to see Titian's *Diana and Actaeon* which was hung next to Titian's *Death of Actaeon* as part of the campaign to secure *Diana and Actaeon* for the nation. Meanwhile in the Sunley Room the exhibition *Sisley in England and Wales* brought together two groups of Alfred Sisley's paintings for the first time. The earlier works, dating to the year of the first Impressionist

<sup>4</sup>Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b) and (d) that the Board shall 'secure that the works of art are exhibited to the public' and 'generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate'.

exhibition included depictions of London and the surrounding area whilst the later group, painted with remarkable maturity and bravura skill near the end of the artist's life, portray the ruggedly beautiful Welsh coastline.

**National programmes:** The touring exhibition partnership with Bristol's City Museum & Art Gallery and the Laing Art Gallery, Newcastle upon Tyne, came to an end during the year with the seventh and final exhibition 'Love'. This exhibition explored how artists have represented this most powerful of emotions and demonstrated how artists including Raphael, Cranach, Vermeer, Holman Hunt and Marc Chagall have described or responded to love in all its complexities, across the centuries and in a variety of styles. The Gallery is very grateful for the generous support received from the Heritage Lottery Fund, the Esmée Fairbairn Foundation and Northern Rock towards this partnership project.

#### *Future developments*

The presentation of the collection in Trafalgar Square remains the centrepiece of the Gallery's work.

**The Building:** Restoration has begun on the Ground Floor Galleries adjacent to the Espresso Bar and ArtStart information system. These galleries will be transformed into light, welcoming spaces, and will offer the opportunity for new displays and small exhibitions. This will be followed by the renovation of some of the main floor galleries.

A detailed programme of work to improve roofs, air conditioning and other environmental controls has been designed. Research continues on the effect of light levels and all other factors to which paintings may be vulnerable. Improved monitoring systems have been instituted and measures to reduce energy consumption are continually sought. The Gallery is refining the computer control systems for blinds, using day-light responsive energy-saving devices.

We will continue investigating how best to respond to:

- n the need to improve and enhance the display and exhibition space alongside an expanding programme of research, education and outreach activities financed by increased income generation to fund this growth in activity; and
- n the challenges of receiving many more visitors than the building was designed to accommodate.

**The Gallery and Tourism:** The Gallery makes a significant contribution to tourism and the economy. Its collection and its exhibition programme help to make London a major tourist destination: indeed, Visit London's most recent visitor survey showed that 81% of overseas visitors are influenced by museums and galleries in making their decision to visit London. In recent years the Gallery has attracted approximately two million overseas visitors annually, and a significant proportion of overseas respondents in surveys cite specific exhibitions or the Gallery itself as the main reason for making a trip to London.

Visitor numbers in 2008/09 were 13% higher than the previous year. The impact of the recession remains unclear, however it is anticipated that this upward trend will continue due to the combination of a weak £ attracting overseas visitors and UK residents staying at home.

During 2009/10 the Gallery will mount a range of important international and national exhibitions. In the summer of 2009 there will be a free Sainsbury Wing exhibition, *Corot to Monet* which will draw on the National Gallery's rich collection of 19th-century French landscapes and will trace the tangible influence the earliest of these works had on the Impressionists as they began exploring new projects and techniques. This will be followed in the autumn with *The Sacred Made Real*, an exhibition of Spanish sculpture and painting of the seventeenth century, organised together with the National Gallery of Art, Washington DC.

The autumn exhibition in the Sunley Room will show *The Hoerengracht* by Ed and Nancy Kienholz, evoking the red-light district of Amsterdam, along with paintings from the seventeenth century Dutch collection which explores some related themes. The Gallery is very grateful to Reinhard Onnasch and the Outset Contemporary Art Fund for generously supporting this exhibition.

## Interpretation and study of the collection

### *Objective<sup>5</sup>*

The Gallery promotes understanding of the styles and techniques of painting and the historical study of pictorial imagery through education and academic programmes.

The curatorial, scientific and conservation departments provide expert advice to government agencies and to other galleries and cultural institutions in the regions and overseas.

### *Activities during the year*

The Gallery continues to extend its national and international research collaborations and during the year received recognition as an Independent Research Organisation by both the Arts and Humanities Research Council and the Engineering and Physical Sciences Research Council. It is the first museum to be recognised by both councils.

Curatorial, Scientific and Conservation Departments continue to collaborate to produce the studies published in the National Gallery Technical Bulletins and elsewhere, which derive not only from the examinations of individual paintings carried out for the cataloguing programme, but also from research for exhibitions and other projects, as well as the close examination of new acquisitions. Volume 29 of the Technical Bulletin was published in September 2008, and includes articles on Annibale Carracci's *Montalto Madonna*, Quinten Massys's *The Virgin and Child Enthroned, with Four Angels*, and the discovery of gilded tin on Giotto's panel of *The Pentecost*. The issue also contains a major technical survey of Paul Cézanne's paintings in the National Gallery, conducted in conjunction with the Courtauld Institute of Art and a collaborative article on two versions of Fragonard's *The Fountain of Love* in the Wallace Collection, London and the Getty Museum, Los Angeles.

The Scientific Department has been very active in research during the year, both in collaborative projects within and outside the Gallery and in representing the Gallery's scientific work in the international museum and conservation communities. Core research on the collection involving analytical study of paintings is carried out jointly with curators for the programme of systematic catalogues, for exhibitions and other publications, and with conservators as a contribution to best practice in the treatment of paintings. There is also a long-term interest in the history and technology of traditional painting materials, their behaviour and the factors involved in the deterioration of these materials. Research and development work in digital imaging and colour science remains a continuing activity.

Members of the Scientific Department publish regularly in outside peer-reviewed journals and conference proceedings and in the annual *National Gallery Technical Bulletin* which is approaching its 30th anniversary issue. To mark this event, the Scientific Department will mount a 3-day international conference under the general theme: 'Studying Old Master Paintings: Technology and Practice', the post-prints of which will be published as a book.

Outside the Gallery, technical examination of paintings in public collections has included work for the National Trust (Polesden Lacey); paintings by Titian and attributed to Andrea da Firenze for the Ashmolean Museum, Oxford, and a late painting on panel by Andrea Mantegna for the Statens Museum, Copenhagen. A project to study and analyse the gilding and painting techniques of a number of Renaissance picture frames was carried out with the Conservation Department of the Victoria and Albert Museum, London. Cooperation with the Department of Scientific Research at the British Museum continues.

The scientific work of the Gallery is reported each year to a panel of eminent scientists constituted as the National Gallery Scientific Consultative Group (NGSCG), chaired by a Trustee, Professor Julia Higgins. The purpose is to gain feedback from outside expert assessors, gather opinions on the quality and direction of science at the Gallery, and to provide input for the continued development of a research strategy.

The NGSCG has shown particular interest in the 'Mellon Raphael Resource' a digital documentation project funded by The Andrew W. Mellon Foundation (New York), to develop a 'pilot project' in digital documentation of paintings, with a particular emphasis on technical and conservation-based information. The Gallery offered Raphael as a subject for this experimental electronic database, since conventional documentation was very extensive for the artist, and potentially in demand by scholars around the world.

<sup>5</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(c) and (d) that the Board shall 'secure that the works of art and documents are available to persons seeking to inspect them in connection with study and research' and 'generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate.'

During the course of the year, further analysis of paintings by Raphael has been undertaken in order to complete the Gallery's documentation of this artist. It was agreed that the 'pilot project' would be aimed simultaneously at professional colleagues and the wider scholarly community, and, in a more simplified and interpreted form, at the general visitor who might consult the material on the Gallery's website and other information systems within the Gallery such as ArtStart. The project will make use of existing computer systems. A schema has been developed to function as a storage repository for the electronic content, with all primary or 'tombstone data' directly mapped from the Gallery's current digital collection management system. Large numbers of documents have been digitised for the project and it will be launched to the public on the Gallery's website in early summer 2009.

The Gallery is involved in a number of significant collaborative research projects with other institutions. The Scientific Department, for example, is a member of the 6th Framework EU-funded EU-ARTECH consortium project devoted to promoting best practice in conservation science in Europe and fostering joint research in this area. This project will conclude in May 2009 and negotiations are underway for a successor project to bring to the Gallery further external research funding over a four-year period. Other current joint scientific research projects include collaborations with Nottingham Trent University, Imperial College (London), the Courtauld Institute of Art and the Hewlett Packard Company.

A particular development for Scientific Department has been the selection and commissioning of a replacement for the Department's obsolete scanning electron microscope (SEM) with a new, digital instrument. After a tendering process, British manufactured equipment was chosen (Carl Zeiss SMT Ltd) and analytical attachments (EDX spectrometer) have also been up-graded. The Scientific Department is most fortunate to have been awarded a grant (£85K) by the Engineering and Physical Sciences Research Council (EPSRC) for replacement of ageing gas-chromatography-mass-spectrometry equipment. A first use will be to study the binding media of a range of pictures for which attributional questions have been raised. The results will appear in a future free exhibition at the Gallery.

#### *Future developments*

The Gallery will continue to develop links with other collections both internationally and throughout the UK, to reinforce its position as a leading institution in its field.

A number of recent publications have emphasised the importance of the creative industries for the future of the British economy in an increasingly globally competitive world. Not only do our museums and galleries offer a major internationally traded service, but they also "underpin the creativity upon which future high value added economic activity is likely to be based. The storehouses represented by these institutions will encourage people in this country to use their creativity and talent to develop new services, products and even manufactured goods."<sup>6</sup>

Capitalising on the significance of our collection, and the expertise and experience of our staff is therefore of key importance, and maintaining links with other institutions within the UK and overseas is vital to ensure that we are able to show and develop our collection in ways that are attractive in an increasingly competitive environment.

**Research:** In 2009-10 the Gallery will extend its collections research programme to sixteenth century Italy and to the History of the Collections, a new research area for the Gallery. The former will be achieved with the help of a new post funded by Daniel Katz to bring to completion the catalogue of Ferrarese and Bolognese paintings commenced by the Director. At the same time the Gallery will launch a new initiative to publish the most up-to-date collection research online, starting with the exhibition *Corot to Monet*. This will be followed by other initiatives including the Mellon Foundation-funded Raphael project, which makes directly available to the public on the National Gallery's website a vast range of Gallery information on a single artist from images to archival sources, using pioneering web technology.

<sup>6</sup> *Museums and Galleries in Britain* (Tony Travers, December 2006)

## Fund Raising and Resources

The largest source of funds for the Gallery remains government Grant in Aid. This year, Grant in Aid received from the Department for Culture, Media and Sport ("DCMS") totalled £26,369,000, and included a ring-fenced capital grant of £3,950,000.

Private income continues to be vital to the future well being of the Gallery. Many of the Gallery's programmes – from exhibitions to outreach work – are only possible as a result of support from private individuals, trusts and foundations and the corporate sector. In the last year the Gallery has recruited a Trusts and Individual Giving team so it now has Individual Giving, Patrons and Trusts specialists along with a Research component. The development of this team is key to the growth of future fundraising at the Gallery.

Individuals provide much needed regular support to ensure the Gallery continues to offer the top quality programmes, exhibitions and services expected by our visitors throughout the year. This year individual donors provided key assistance to several of the Gallery's major exhibitions, in particular *Renaissance Faces*. Individual support also provided core funding for curatorial work through supporting curatorial posts, research fellowships, academic colloquia and for the Framing Department. Generous individuals also contributed to the Gallery's Education Department programmes, enabling both students and adult learners the opportunity to take part in the Gallery's programmes.

The Gallery greatly benefits from grants made by charitable trusts and foundations, and exhibitions, education and curatorial projects received invaluable support during the year. The Bernard Sunley Charitable Foundation continued its longstanding association with the Gallery by renewing its support of the Sunley Room exhibitions programme for a further three years to 2011. This grant helps the Gallery to devise an exciting and diverse programme of small-scale, free exhibitions which are popular with the public. The work of the Education Department attracted a number of new pledges of support from trusts and foundations, in particular for the Access Programme and projects with children in hospital schools and young offenders. The Department's work with trainee teachers also benefited from the support of DCMS Strategic Commissioning. The Curatorial Department continued to receive annual support from the American Friends of the National Gallery, London as well as grants towards two curatorial assistant posts from The Pidem Fund and The Dorset Foundation.

The Gallery continued to develop its established work with the corporate sector and was delighted to announce a major new partnership with Credit Suisse in May 2008. Over the next three years, the partnership will provide a vital funding platform for the Gallery's exhibition programme as Credit Suisse will sponsor a Sainsbury Wing exhibition each year. The first such event was the summer exhibition, *Radical Light*. The Gallery's autumn exhibition, *Renaissance Faces*, was generously sponsored by AXA.

Major marketing collaborations were also launched this year: the Gallery and Hewlett-Packard, in collaboration with York Art Gallery, unveiled the Grand Tour in York. Full life-size recreations of paintings transformed the streets of York into a gallery for seventeen weeks. The Gallery and Eurostar launched the world's first interactive digital art gallery for travellers at St Pancras International. Located within Eurostar's departure lounge, the 'Station Masters' interactive gallery gives travellers unprecedented access to the Gallery's collection.

The Gallery's corporate membership programme has so far remained reasonably robust despite the economic downturn. The funds generated by the programme enable the Gallery to achieve a wide range of activities and projects which would otherwise not be possible.

The Gallery owes an enormous debt of gratitude to all of the private supporters who have supported projects in this period. We would like to thank all those who have given so generously.

## Financial Commentary

In accordance with the Government Financial Reporting Manual (FReM), additions to the collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine.

Works of art donated by third parties, either by gift of the asset or by way of funds for the asset, are capitalised at current value on receipt. Donated collection assets are not depreciated or revalued as a matter of routine.

In the current year, heritage asset additions totalled £57.6m representing principally the capitalisation of Titian's 'Diana and Actaeon' at a value of £57.5m. This value represents the Gallery's 50% ownership of the picture at its estimated market value at the balance sheet date. Of this amount, £11.5m is treated as additions, funded from the Gallery's own reserves. The remaining £46m is treated as a donated work of art, comprising donations received and committed towards the cost of the acquisition, and the gift element represented by the difference between the market value and the purchase price. The Gallery paid a deposit of £1m on acquisition of the picture. The payment terms of the acquisition are such that the Gallery will make three annual instalments of £16.3m, commencing on 6 April 2009 on behalf of both the Gallery itself and National Galleries of Scotland. This liability will be met through committed funds represented in the accounts as debtors; the Gallery's own reserves and donations pledged but not yet received. The Statement of Financial Activities ("SOFA") reflects incoming resources for this acquisition to the extent that these are committed, but the Gallery has not accounted for donations not yet received. Incoming funds do not therefore yet match the full capitalised value of the picture.

The Gallery's SOFA is set out on page 28 of this document. Incoming resources before transfers, notional costs and revaluations for 2008/09 amounted to £67.1 million (2007/08: £40.7 million); resources expended amounted to £30.7 million (2007/08: £29.1 million), resulting in net incoming resources (before transfers, notional costs and revaluations) of £36.4 million (2007/08: £11.6 million), of which £35.3 million (2007/08: £10.4 million) represents donations to the collection and restricted and designated funds received for future acquisitions.

Incoming resources from generated funds for the year totalled £65.4 million (2007/08: £39.1m). The figure includes incoming resources relating to picture acquisitions of £35.4 million, as well as government Grant in Aid and other donations, legacies and income from corporate supporters. Incoming resources from charitable activities for the year totalled £1.7 million in line with 2007/8 (£1.6 million).

The Gallery's total charitable expenditure for 2008/09 was £30.7 million, higher than the expenditure incurred in 2007/8 (£29m). The rise can mainly be attributed to a higher utility prices and a rise in wages and salary costs. Overall, expenditure was within budget and tight controls were maintained, with a continuing focus on delivering efficiency savings.

The net movement in funds for 2008/09 amounted to £11.0 million (2007/08: £23.6 million). The net movement includes any gain or loss on the value of the Gallery's land and buildings, any gain or loss on its investments and the value of donated assets capitalised as collection acquisitions. This year the movement includes a loss on revaluation of £20.7 million and investment losses of £4.7 million. It also includes £43.3 million representing donations to the collection, picture acquisitions and restricted and designated funds for acquisitions.

Full details of risk management at the National Gallery and the Gallery's investment and reserves policies are disclosed in the Foreword to the Financial Statements.

Details of the treatment of pension liabilities are disclosed in the Remuneration Report and the effect of the revaluation of land, buildings, and plant and machinery is disclosed in note 10. As disclosed in note 8 to the accounts, the National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

### 3 The Gallery's contribution to DCMS' performance indicators

Specific information relevant to the Gallery's contribution to DCMS' performance indicators for 2008/09 as set out in the Funding Agreement agreed with DCMS:

	<b>Performance in 2008/09</b>	<b>Performance in 2007/08</b>
1. Number of visits to the Gallery (excluding virtual visitors)	4.4m	3.9m
2. Number of unique users visiting the website <sup>7</sup>	5.6m	–
3. Number of visits by children under 16	0.4m	0.5m
4. Number of UK adults aged 16 and over from NS-SEC groups 5-8 visiting the Gallery <sup>8</sup>	0.5m	0.4m
5. Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	0.3m	0.3m
6. Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity <sup>9</sup>	0.2m	–
7. Number of overseas visits	2.0m	1.8m
8. Number of children involved in on and offsite educational programmes <sup>9</sup>	0.6m	–
9. Number of adult learners involved in on and offsite educational programmes <sup>9</sup>	0.1m	–
10. % of visitors who would recommend a visit <sup>9</sup>	99%	–
11. Number of UK loan venues	20	16
12. Number of peer reviewed publications <sup>9</sup>	23	–
13. % of visitors who are satisfied or very satisfied with their visit	99%	99%
14. Number of new initiatives and services designed to improve access for elderly visitors (those aged 60 and above) <sup>9</sup>	3	–
15. Self-generated income (admissions, trading and fundraising) <sup>10</sup>	£41m	£15m

<sup>7</sup> These figures are recorded by LiveStats and Google Analytics and will be as accurate as possible given the widespread use of caching and proxy servers. There are no comparatives because the method for recording this information changed.

<sup>8</sup> The turnout figures given for these measures are estimated based on total visitor numbers and the latest demographic research, which was completed in March 2008.

<sup>9</sup> 2008-09 is the first year in which some of the performance indicators have been required therefore no comparative information is available for these targets.

<sup>10</sup> This figure represents income generated in 2008/09 and includes the value of donated pictures.

# Foreword

## 1 Legal and Administrative

The Gallery is governed by the Museums and Galleries Act 1992, under which the Board of Trustees was given corporate status. The Charities Act 1993 confirmed the Gallery's charitable status and its exemption from the need to register with the Charity Commission. Both acts can be viewed at [www.opsi.gov.uk](http://www.opsi.gov.uk).

These accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and the Statement of Recommended Practice "Accounting and Reporting by Charities" (2005).

The Gallery is governed by a Board of Trustees. The establishment, constitution, functions and property etc. of the Board of Trustees can be found in Section 1 to the Museums and Galleries Act 1992. The general functions of the Board of Trustees can be found in Section 2 to the Museums and Galleries Act 1992. A Register of Trustees' Interests is maintained and is available for review on application to the Director's Office.

The following is a list of the Trustees of the National Gallery during the year to 31 March 2009.

Mr Mark Getty (Chairman) (reappointed as Trustee on 11 August 2008)

Mr Peter Scott (retired as Trustee and Chairman 10 August 2008)

Mr Ranjit Sondhi (retired 3 February 2009)

Professor Julia Higgins

Lord Kerr of Kinlochard

Mr James Fenton

Mr John Lessore

Mr Simon Burke

Lady Normanby

Professor Mervyn King (retired 24 March 2009)

Professor David Ekserdijan

Ms Patricia Lankester

Lady Heseltine

Mr Michael Hintze (appointed 1 April 2008)

Ms Caroline Thomson (appointed 11 August 2008)

Ms Hannah Rothschild (appointed 10 March 2009)

Mr Gautam Dalal (appointed 25 March 2009)

Trustees are appointed by the Prime Minister and are normally appointed for a term of four years with the possibility of renewal. In addition, the Tate appoints a Trustee. Appointment dates are detailed on the National Gallery's website.

The Chairman of the Board is responsible for approving adequate arrangements for induction and training for new Board members. New Trustees are:

- n given the Trustee Handbook, which sets out the structure, role and responsibilities of the Board, and includes detailed information about standards, accountability and governance;
- n given copies of the latest Corporate Plan, Funding Agreement, Annual Review and Financial Statements; and
- n given the equivalent of about 2 days' worth of induction, meeting members of Gallery staff in different departments to hear about their work.

The Trust Funds of the National Gallery are monitored by a sub-committee of the Board called the Trust Funds Investment Committee. This committee meets at least once a year to review fund performance in discussion with the fund managers. Its members are:

Mr Mark Getty (appointed as member and Chairman 11 August 2008)

Mr Peter Scott (retired as member and Chairman 10 August 2008)

Sir James Sassoon (independent member)



The Finance Committee aims to meet at least three times a year to discuss the financial management of the Gallery and other matters arising. Its members are:

Professor Mervyn King (retired as member and Chairman 25 March 2009)  
Mr Peter Scott (retired 10 August 2008)  
Mr Mark Getty (appointed 11 August 2008)  
Sir Colin Southgate (independent member)  
Mr Nick Land (independent member)  
Mr Gautam Dalal (appointed as member and Chairman 2 April 2009)

The Audit Committee aims to meet at least three times a year to adopt the accounts; meet the auditors; set risk management standards and the degree of risk aversion for the Gallery; review the major risks to the Gallery; and discuss internal and external audit matters. Its members are:

Professor Mervyn King (retired as member and Chairman 25 March 2009)  
Mr Peter Scott (retired 10 August 2008)  
Mr Mark Getty (appointed 11 August 2008)  
Sir Colin Southgate (independent member)  
Mr Nick Land (independent member)  
Mr Gautam Dalal (appointed as member and Chairman 2 April 2009)

The Accounting Officer as at 31 March 2009 is Dr Nicholas Penny, Director of the National Gallery.

The principal address of the charity is:

The National Gallery  
Trafalgar Square  
London, WC2N 5DN

The National Gallery website address is: [www.nationalgallery.org.uk](http://www.nationalgallery.org.uk).

#### **Advisers**

Banking Services:	The Paymaster General Sutherland House Russell Way Crawley West Sussex RH10 1UH	Coutts & Co. 440 Strand London WC2R 0QS
Auditors:	The Comptroller and Auditor General National Audit Office 151 Buckingham Palace Road Victoria London SW1W 9SS	
Solicitors:	Farrer & Co 66 Lincoln's Inn Fields London, WC2A 3LH	Various other solicitors are used as required.
Investment Managers:	BlackRock Investment Management (UK) Ltd 33 King William Street London, EC4R 9AS	

## **2 History**

The National Gallery was established in 1824 when Parliament voted £60,000 for the purchase, presentation and display of a group of 38 paintings, part of the collection of the late John Julius Angerstein.

## **3 Organisation**

The Gallery is a Non-Departmental Public Body, whose sponsor department is the Department for Culture, Media and Sport.

The Director of the National Gallery is also the Accounting Officer appointed by the Department for Culture, Media and Sport.

Senior management take decisions through the mechanism of a Management Committee, whose members are responsible for the main departments in the Gallery. Management communicates with staff through meetings, the intranet, e-mail and staff notices. The three unions representing a number of members of staff meet regularly with senior management.

#### 4 Review of Activities, Achievements and Results

A detailed review of the Gallery's activities, achievements and results during the year, as well as information about its financial position at the year-end and planned future developments, is presented in the Annual Report.

#### 5 Changes in Fixed Assets

The movement in fixed assets during the year is set out in note 10 to the financial statements.

#### 6 The Trust Funds of the National Gallery

The Trust Funds of the National Gallery are made up of a number of bequests, which were constituted as a pool for investment purposes by a scheme approved by the Secretary of State for Education and Science in 1972. The Trust Funds are controlled by the National Gallery Trustees and included within these financial statements.

#### 7 Payment Policy

The Gallery aims to settle all bills either within the period stated by the supplier or within 30 days. Sample testing indicates that approximately 90% (2007/08: 87%) of all bills are settled within 30 days and the bulk of the remainder are either disputed or have extended credit terms.

#### 8 Equal Opportunities

The Gallery is committed to equal opportunities for all job applicants and employees. The Gallery's policy is that no applicant or employee should receive less favourable treatment than another on grounds of gender, sexual orientation, age, marital or family status, civil partnership status, race, colour, nationality, ethnic or national origins or religion or similar belief, disability, trade union membership or any other condition or requirement which cannot be shown to be justifiable.

This principle applies both to direct discrimination and to indirect discrimination (i.e. the Gallery is committed not only to avoiding direct discrimination but also to avoiding practices which have the incidental or accidental effect of discriminating unfairly against particular groups).

The Gallery recognises that the principle of equal opportunity applies to all recruitment; to all terms and conditions of service, including pay, hours of work, leave, retirement and pensions; and to human resources management and development including staff performance reviews, training and promotion.

The Gallery aims, in this way, to provide a working environment which is free from unfair discrimination and from harassment.

The Gallery's equal opportunity policy is drawn to the attention of all employees and job-applicants through the application process, and is disclosed in the Staff Handbook.

#### 9 Health & Safety

The Trustees of the National Gallery, through the offices of the Director, acknowledge their responsibility for, and their commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, those working on a self-employed and agency contract basis and contractors will receive due priority for action at all times.

Responsibility also lies with individual members of staff, their representative unions, those working on a self-employed and agency contract basis, and contractors to give their full attention and co-operation to the implementation of this policy so that the Gallery can provide a safe and healthy environment at all times. The Gallery employs a Health and Safety Adviser.

The Gallery's employee assistance programme provides confidential counselling, practical support, advice and information, aimed at helping staff to come to terms with personal and family or work related problems. The service is available to all employees and their immediate dependents, 24 hours a day, 365 days a year; access is via a free telephone line.

## 10 Sickness Absence Management

The average number of days of absence due to sickness was 8.5 days (2007-08: 7.6 days). Excluding long term sickness, the average number of days of absence was 4.5 days (2007-08: 4.6 days).

## 11 Sustainability Policy

The National Gallery is committed to integrating environmental considerations into its activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement.

The Gallery adopts the best environmental practices, wherever practicable, in the development, use and management of our buildings and in purchasing services and supplies. Where the Gallery has no direct control of resources it seeks to influence those who have.

The Gallery gives full consideration to environmental matters when managing operations, altering the building and in reaching housekeeping decisions. Though much of the responsibility for these decisions will fall to senior management, all National Gallery staff are encouraged to play a role in protecting the environment by making the most efficient use of resources within their control.

## 12 Investment Policy

The Gallery receives private funds through a number of sources, many of which are not immediately expendable. These funds are administered by the Finance Department. Investments include equities, loan stock, cash investments (including money market deposits) and cash accounts other than current accounts.

All the Gallery's investments are held at institutions of the highest quality. Funds may only be placed with a new institution with the approval of the Finance or Trust Funds Investment Committees.

A balance equivalent to at least half of one month's normal running costs is held on a deposit account earning interest. Endowments over £500,000 are kept in separate bank/investment accounts. Funds approximating to the value of the remaining restricted funds are held in a separate account, normally a money market account.

Bequests are held within the Trust Fund. Funds in the Trust Fund are invested and monitored by a Committee ("the Trust Funds Investment Committee"). Investment managers are approved by the Trust Funds Investment Committee, and the contract is reviewed at least every five years. Investment strategy is also formally reviewed at least every five years and was last formally reviewed in 2004. Members of the Investment Committee have met several times informally to discuss investment policy over the last year and are actively keeping the management of investments under review. A formal review of investment strategy will be carried out in 2009/10. Any investments held, other than cash/money market deposits, are subject to the same scrutiny as for the Trust Funds.

The Gallery seeks to earn the highest possible rates of interest on cash, subject to other constraints set out in this policy and the policy on reserves given below. Performance is measured regularly against the UK bank base rate and in 2008/09 the return earned was 3.73% which exceeded the average base rate of 3.61%.

The Gallery does not usually hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such instrument or where it is held as part of an investment strategy as determined by the Trust Funds Investment Committee.

The Trustees consider the return on investments to be not unreasonable given the volatility experienced in the markets over the course of the last financial year. Details on the movement of investments during 2008/09 can be found in notes 11 and 16.

## 13 Reserves Policy

The Trustees have reviewed the reserves of the Gallery and concluded that the Gallery should seek to maintain unrestricted general funds not committed or invested in tangible fixed assets at a level equivalent to six months' worth of non-guaranteed income, as a safeguard against volatile and unpredictable income streams. However, given that Grant in Aid is not drawn down in advance of need and that significant funds may be required for picture payment, the level of undesignated general reserves may fluctuate outside this range.

The Trustees' Audit Committee reviews the policy on reserves annually, and the last review took place in September 2008.

Grant in Aid should not be held in reserves and will therefore normally be expended in the month it is received.

The calculation of the reserves is £349 million. A breakdown of these is shown in the balance sheet and in the statement of funds (note 16). Most of the funds (£207.2 million) are represented by the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery and equipment. These funds are therefore effectively inalienable. A further £120.4 million is represented by the value at the date of acquisition of donations to the collection and pictures acquired since 1 April 2001, and restricted funds for future acquisitions. This includes £11.5m of restricted and designated funds committed towards the acquisition of Titian's *Diana and Actaeon*.

Of the remaining £21.3 million, £4.2 million is in permanent endowments (where the capital cannot be touched) and £3.4 million represents other restricted funds. A further £11.7 million is private income (mainly from bequests), which, because of the nature of the income, the Trustees have designated for picture purchases.

The remaining balance of £2m represents undesignated general funds of private income. Non-guaranteed income budgeted for 2009/10 is in the region of £4m, and includes income from exhibition admissions, corporate sponsorship and donations. The level of undesignated general reserves at 31st March 2009 therefore represents around 6 month's worth of that income and is in accordance with the stated policy.

## 14 Risk management

The National Gallery recognises that the effective management of risk and uncertainty is core to its ability to achieve its objectives.

### Procedures

The Internal Controls Committee identifies, controls and monitors risk within the National Gallery and proposes the framework for its control. Risk is controlled through:

- n **Elimination** – by not engaging or continuing with the risk-bearing activity;
- n **Transference** – by sharing or passing the risk onto a third party either through partner/contract agreements or through insurance;
- n **Mitigation** – by introducing appropriate and cost effective controls to manage the risk, apportioning responsibility for managing the risk to the relevant budget holder(s) and monitoring the controls;
- n **Acceptance** – in remaining cases, by acknowledging and accepting that the risk is part of the Gallery's core activity but that it cannot be actively managed, or by accepting an unmanaged risk because the cost of managing the risk outweighs the benefits.

### Responsibilities

The Board of Trustees (monitored by the Audit Committee) sets risk management standards and the degree of risk aversion for the Gallery, and reviews the major risks to the Gallery.

The Accounting Officer and the Trustees are responsible for managing risk and ensuring that an effective system of internal control is maintained and operated within the Gallery.

Internal Audit is responsible for providing the Accounting Officer and the Audit Committee with assurance that an effective system of internal control has been maintained and is operated within the Gallery.

Budget Holders are responsible for complying with the Budget Holders' Assurance Statement and taking specific action to control the identified risks.

Internal Audit's primary role is to give the Accounting Officer and the Trustees an independent and objective opinion on the Gallery's risk management, internal control and governance. This assists the Internal Controls Committee in assessing and monitoring the effectiveness of the internal controls.

### **Assurance**

The Internal Controls Committee reports on the effectiveness of risk management and the National Gallery's system of internal controls to the Accounting Officer and the Audit Committee on an annual basis.

Internal Audit issues an *Annual Report to the Accounting Officer*, which is reviewed by the Accounting Officer and the Trustees, and which includes Internal Audit's opinion of risk management in the Gallery and a Statement of Assurance on Internal Control.

All Budget Holders provide the Accounting Officer with an annual Assurance Statement.

Further details of financial risk management are included in note 14 to the accounts.

So far as the Accounting Officer and the Trustees are aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

### **Information Risk Management**

The Gallery has suffered no protected personal data incident during 2008/9 and has made no report on such a loss to the Information Commissioner's office.

**Nicholas Penny**  
**Director and Accounting Officer**

**9th July 2009**

**Mark Getty**  
**Chairman**

**9th July 2009**

## Remuneration Report

*The figures in this report have been subject to audit.*

The remuneration report includes salary and pension details of National Gallery staff at salary band 1. These members of staff are considered to constitute senior management, however executive authority over the decisions of the Gallery as a whole remains solely in the hands of the Director, guided by the Chairman and Board of Trustees. For the purposes of this report staff at salary band 1 are described as "senior managers".

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2007/08: £Nil).

### *Director's salary, performance award and benefits*

The salary and performance award details for the incoming, acting interim and outgoing Directors are as follows;

	2008/09		2007/08	
	Salary	Performance related pay	Salary	Performance related pay
	£	£	£	£
Nicholas Penny <i>(from 4 February 2008)</i>	140,000	–	22,126	–
Martin Wyld (acting Director) <i>(1 September 2007 – 3 February 2008)</i>	–	–	50,000	–
Charles Saumarez Smith <i>(until 31 August 2007)</i>	–	–	57,269	7,673

Nicholas Penny joined the Gallery on 4 February 2008. In 2007/08, the full year equivalent of his salary was £140,000. Dr Penny is eligible for a performance-related bonus in the range of 0% to 20%. No performance-related bonus was paid in 2008/09 (2007/08: £Nil).

Charles Saumarez Smith left the Gallery on 31 August 2007. The full year equivalent of his salary was £137,446. A consolidated performance award of £1,668 and a non-consolidated award of £6,005 were made in respect of 2007/08.

The Director of Conservation, Martin Wyld, held the position of acting Director between 1 September 2007 and 3 February 2008. The full year equivalent of his salary for this role was £123,600. Martin Wyld was not eligible for a performance-related bonus.

No provision is made within the Director's contract for non-cash benefits. The notice period of the Director is six months.

The Director's performance-related bonus is determined by the Remuneration Committee. The Remuneration Committee (comprising Mark Getty, Ranjit Sondhi and Patricia Lankester during the year) reviews the Director's performance annually, taking account of the achievement of the Gallery's objectives as set out in the funding agreement between the Department for Culture, Media and Sport and the National Gallery.

The Director's appointment is for an indefinite period. In accordance with the provisions of the PCSPS Gallery staff may retire at 65. The Director's contract of employment determines the circumstances in which a compensation payment may be made. The compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

*Planning Group salary, performance award and benefits*

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Susan Foister <i>Director of Collections</i>	70 – 75	65 – 70
Clare Gough <i>Director of Communications and Media</i>	30 – 35 <sup>1</sup>	30 – 35 <sup>2</sup>
David Jaffe <i>Senior Curator of Flemish Paintings</i>	70 – 75	70 – 75
Ashok Roy <i>Director of Scientific Research</i>	70 – 75	65 – 70
Nigel Semmens <i>Director of Communications and Media</i>	60 – 65 <sup>3</sup>	55 – 60
Martin Wyld <i>Director of Conservation (excl period as acting Director)</i>	70 – 75	40 – 45
Christopher Yates <i>Director of Resources (until 31 December 2007)</i>	–	55 – 60 <sup>4</sup>

<sup>1</sup> Full time, full year equivalent is £70,000 – £75,000.

<sup>2</sup> Full time, full year equivalent is £65,000 – £70,000.

<sup>3</sup> Full year equivalent is £70,000 – £75,000.

<sup>4</sup> Full year equivalent is £70,000 – £75,000.

No provision is made within the contracts of the above individuals for non-cash benefits, and there is no entitlement to performance-related awards. The notice period for the above individuals is three months. The appointment of the above individuals is for an indefinite period, and the compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

Bruce Minty was engaged as an interim Director of Resources from January 2008 to March 2009, through an agency. Payments to the agency for the year to 31 March 2009 amounted to £156,600 (2007/08: £36,524).

### Pensions

The Director's pension is covered by the same scheme as other employees. His contract is for no fixed term, in common with other members of staff at the Gallery.

The accrued pension and lump sum payments as at 31 March 2008 for senior managers and the Director are as follows:

	<b>Accrued pension at age 60 as at 31 March 2009 and related lump sum £'000</b>	<b>Real increase in pension and related lump sum at age 60 £'000</b>	<b>CETV at 31/3/09 £'000</b>	<b>CETV at 31/3/08<sup>1</sup> £'000</b>	<b>Real increase in CETV £'000</b>
Nicholas Penny	70 – 75	72.5 – 75	1,136	8	1,122
Martin Wyld <sup>2</sup>	35 – 40 plus 105 -110 lump sum	(12.5) – (15) plus (37.5) – (40) lump sum	900	1,084	(218)
Susan Foister	20 – 25 plus 70 - 75 lump sum	0 – 2.5 plus 2 – 2.5 lump sum	495	442	8
Clare Gough	5 – 10 plus 15 - 20 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	74	66	5
David Jaffe	5 – 10 plus 25 - 30 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	199	171	12
Ashok Roy	30 – 35 plus 65 – 70 lump sum	0 – 2.5 plus 0 – (2.5) lump sum	697	635	8
Nigel Semmens	15 – 20 plus 45 – 50 lump sum	2.5 – 5 plus 7.5 – 10 lump sum	338	257	48

<sup>1</sup> The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

<sup>2</sup> The real increase in pension for Martin Wyld is negative because the prior year pensionable salary was higher than that of the current year. During the prior year, Martin Wyld held the position of acting Director.

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

All present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme. The National Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2008/09, employers' contributions of £2,123,181 were payable to the PCSPS (2007/08: £1,872,244) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay (2007/8: 17.1% – 25.5%) based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands were revised in 2008/09, and the rates will be changing with effect from April 2009.

The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £15,358 (2007/08: £22,551) 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,365 (2007/08: £1,592), 0.8 per cent 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 £275 (2007/08: £657). Contributions prepaid at that date were £3,678 (2007/08: £4,550).



*Cash Equivalent Transfer Value*

A Cash Equivalent Transfer Value (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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include an additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme 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 drawn.

*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.

**Nicholas Penny**  
**Director and Accounting Officer**

**9th July 2009**

**Mark Getty**  
**Chairman**

**9th July 2009**

## Statement of Trustees' and Director's Responsibilities

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

In preparing the National Gallery's accounts the Trustees are required to:

- n observe the accounts direction\* issued by the Secretary of State including the relevant accounting and disclosure requirements and apply them on a consistent basis;
- n make judgements and estimates that are reasonable and prudent;
- n state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements;
- n prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the National 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 National 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, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Managing Public Money.

**Nicholas Penny**  
**Director and Accounting Officer**

**9th July 2009**

**Mark Getty**  
**Chairman**

**9th July 2009**

\* a copy of which is available from The National Gallery, Trafalgar Square, London, WC2N 5DN.

## Statement on the System of Internal Control

### Scope of responsibility

As Accounting Officer and Chairman of the Board of Trustees of the National Gallery, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Gallery's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in *Managing Public Money*.

### Purpose of system of internal control

The system 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 principal 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 effectively, efficiently and economically. The system of internal control has been in place throughout the year ended 31st March 2009 and up to the date of approval of the annual report and financial statements, and it accords with Treasury guidance.

### Capacity to handle risk

The National Gallery has an Internal Controls Committee to monitor, maintain and improve the general control environment operating within the Gallery. This committee is made up of representatives of different Gallery departments, and has provided a forum for risk management workshops. During these workshops, the committee identified the Gallery's risks and determined a control strategy for each of the significant risks. The Internal Controls Committee has also worked on formulating the Gallery's policies, including the risk management policy, which sets out the responsibilities for managing risk as follows:

- n the Board of Trustees (monitored by the Audit Committee) sets risk management standards and the degree of risk aversion for the Gallery, and reviews the major risks to the Gallery;
- n the Accounting Officer and Trustees are responsible for managing risk and ensuring that an effective system of internal control is maintained and operated within the Gallery;
- n the Internal Controls Committee is responsible for providing the Accounting Officer and the Audit Committee with assurance that an effective system of internal control has been maintained and is operated within the Gallery;
- n Budget Holders are responsible for complying with the requirements of the Budget Holders' Assurance Statement and taking specific action to control the identified risks;
- n Internal audit's primary role is to give the Accounting Officer and Trustees an independent and objective opinion on the Gallery's risk management, internal control and governance. This assists internal audit in assessing and monitoring the effectiveness of the internal controls.

The National Gallery uses an externally provided internal audit unit, which operates to standards defined in the Government Internal Audit Standards. The work of the internal audit unit is informed by the analysis of risk to which the Gallery is exposed, and annual internal audit plans are based on this analysis. Internal audit provides the Audit Committee with an annual report on internal audit activity in the Gallery. The report includes Internal audit's opinion on the adequacy and effectiveness of the Gallery's system of internal financial control.

## The risk and control framework

The system of control is based on a framework of management processes including regular management information, administrative procedures, and a system of delegation and accountability. In particular it includes:

- n comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Committee, and incorporated in a corporate plan, reviewed and approved by Trustees;
- n regular reviews by the Management Committee and Trustees of periodic and annual financial reports which indicate financial performance against the forecasts;
- n setting targets to measure financial and other performance;
- n clearly defined capital investment control guidelines; and
- n a system of delegation and accountability.

The Gallery has in place specific policies relating to the appropriate use, storage, dissemination, security and disposal of information, including personal data and other sensitive information. During the year the Gallery has responded positively to the Cabinet Office's mandatory requirements on the management of information risk. In particular, a Senior Information Risk Owner (SIRO) has been appointed and an Information Risk Management Policy and Incident Management Procedure have been drafted. A working group has been established by the SIRO and a plan has been set for complying with mandatory minimum measures – this will include a timetable for action points to be monitored by the Internal Controls Committee. Information risk management will form part of the annual budget holders' assurance statement and it has been recognised that a programme of organisation-wide training is required to ensure compliance.

The risk priorities identified and addressed during the year, reflecting potential weaknesses in the system of controls, related principally to controls over the engagement of freelance staff and those relating to cash collection services.

## Review of effectiveness

As Accounting Officer and Chairman of the Board of Trustees, we also have 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 internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive 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.

In our view, the information we have received was sufficient to enable us to review the effectiveness of the Gallery's system of internal control in accordance with the relevant recommendations of the Treasury Guidance. We consider the overall framework of controls to be effective and will work together to address weaknesses and ensure continuous improvement of the system.

**Nicholas Penny**  
Director and Accounting Officer

**9th July 2009**

**Mark Getty**  
Chairman

**9th July 2009**

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of The National Gallery for the year ended 31 March 2009 under the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow 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 being audited.

## Respective responsibilities of the Board of Trustees, the Director and Auditor

The Board of Trustees and the Director as Accounting Officer are responsible for preparing the Annual Report which includes the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions funded by Parliament. These responsibilities are set out in the Statement of the Board of 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 the Secretary of State for Culture Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Foreword, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if The National 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 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 Gallery's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the section headed Annual Report 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 Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to The National Gallery's circumstances, consistently applied and adequately disclosed.

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

## Opinions

In my opinion:

- n the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture Media and Sport, of the state of The National Gallery's affairs as at 31 March 2009 and of its incoming resources and application of resources for the year then ended;
- n 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 the Secretary of State for Culture Media and Sport's directions made thereunder; and
- n information which comprises the Foreword, included within the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

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

## Report

I have no observations to make on these financial statements.

Amyas C E Morse

**Comptroller and Auditor General**

**National Audit Office**

**151 Buckingham Palace Road**

**Victoria**

**London SW1W 9SS**

**13th July 2009**

# Statement of Financial Activities for the year ended 31 March 2009

Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			Total 2009			Total 2008 (c)	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent Endowment		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Incoming resources</b>														
<b>Incoming resources from generated funds</b>														
<b>Voluntary income</b>														
Grant in Aid	22,419	–	22,419	–	2,530	2,530	–	1,420	1,420	–	3,950	–	26,369	25,597
Other government grants	–	158	158	–	–	–	–	–	–	–	158	–	158	160
Donations	61	552	613	125	181	306	–	32,538	32,538	–	33,271	–	33,457	8,734
Legacies	–	–	–	–	–	–	–	4	4	–	–	–	4	6
<b>Activities for generating funds</b>														
Investment income	3,240	–	3,240	–	–	–	–	–	–	–	3,240	–	3,240	2,853
<b>Incoming resources from charitable activities</b>														
Exhibitions	526	206	732	–	–	–	–	332	332	–	1,070	–	1,608	1,765
Educational activities	1,268	191	1,459	–	–	–	–	–	–	–	1,268	–	1,459	1,334
Other incoming resources	278	–	278	–	–	–	–	–	–	–	278	–	278	247
<b>Total incoming resources</b>														
	27,792	1,107	28,899	125	2,711	2,836	1,114	34,294	35,408	29,031	38,112	–	67,143	40,696
<b>Resources expended</b>														
<b>Cost of generating funds</b>														
Fundraising costs	(1,301)	–	(1,301)	–	–	–	–	–	–	(1,301)	–	–	(1,301)	(910)
Unrealised foreign exchange loss	(206)	–	(206)	–	–	–	–	–	–	(206)	–	–	(206)	(206)
Investment management costs	(8)	(8)	(8)	–	–	–	(51)	(23)	(74)	(51)	(31)	–	(82)	(91)
<b>Charitable activities</b>														
Exhibitions	(1,507)	(8)	(1,515)	–	–	–	(51)	(23)	(74)	(1,558)	(31)	–	(1,589)	(1,001)
Educational activities	(1,834)	(198)	(2,032)	–	–	–	–	–	–	(1,834)	(198)	–	(2,032)	(2,124)
Care of the collection	(1,251)	(166)	(1,417)	–	–	–	–	–	–	(1,251)	(166)	–	(1,417)	(1,354)
Study and interpretation of the collection	(8,728)	(86)	(8,814)	(476)	(2,908)	(3,384)	–	–	–	(9,204)	(2,994)	–	(12,198)	(11,737)
Access to the collection	(1,722)	(209)	(1,931)	–	–	–	–	–	–	(1,722)	(209)	–	(1,931)	(1,865)
<b>Governance costs</b>														
	(11,066)	(201)	(11,267)	–	–	–	–	–	–	(11,066)	(201)	–	(11,267)	(10,785)
<b>Total resources expended</b>														
	(24,601)	(860)	(25,461)	(476)	(2,908)	(3,384)	–	–	–	(25,077)	(3,768)	–	(28,845)	(27,865)
	(269)	–	(269)	–	–	–	–	–	–	(269)	–	–	(269)	(209)
<b>Total resources expended</b>														
	(26,377)	(868)	(27,245)	(476)	(2,908)	(3,384)	(51)	(23)	(74)	(26,904)	(3,799)	–	(30,703)	(29,075)
Net incoming/(outgoing) resources before transfers, notional costs and other recognised gains and losses	1,415	239	1,654	(351)	(197)	(548)	1,063	34,271	35,334	2,127	34,313	–	36,440	11,621
Notional cost of capital	(235)	–	(235)	(3,402)	–	–	–	–	–	(3,637)	–	–	(3,637)	(4,127)
<b>Net incoming/(outgoing) resources after notional before transfers and other recognised gains and losses</b>														
	1,180	239	1,419	(3,753)	(197)	(548)	1,063	34,271	35,334	(1,510)	34,313	–	32,803	7,494
Reversal of notional costs	235	–	235	3,402	–	–	–	–	–	3,637	–	–	3,637	4,127
Transfers	(8,011)	12	(7,999)	–	–	–	7,999	–	7,999	(12)	12	–	–	–
<b>Net incoming/(outgoing) resources before other gains and losses</b>														
	(6,596)	251	(6,345)	(351)	(197)	(548)	9,062	34,271	43,333	2,115	34,325	–	36,440	11,621
Loss on revaluations of fixed assets for charity's own use	–	(308)	(308)	(2,911)	(17,780)	(20,691)	–	(785)	(3,378)	(2,911)	(17,780)	–	(20,691)	13,293
Realised and unrealised investment losses	(6,596)	(57)	(6,653)	(3,262)	(17,977)	(21,239)	6,469	33,486	39,955	(3,389)	15,452	(1,036)	(4,722)	(1,332)
<b>Net movement in funds</b>														
	8,589	3,488	12,077	32,149	196,332	228,481	21,015	71,118	92,133	61,753	270,938	5,275	337,966	314,384
<b>Opening funds</b>														
	1,993	3,431	5,424	28,887	178,355	207,242	27,484	104,604	132,088	58,364	286,390	4,239	348,993	337,966
<b>Closing funds</b>														
	11,982	6,869	18,851	61,034	374,707	434,984	54,968	179,218	224,226	120,118	567,328	9,473	687,986	652,350

(a) representing the value of capital assets, excluding the collection.  
 (b) representing the value, at the date of acquisition, of donations to the collection and designated funds for future acquisitions.  
 (c) Exhibition sponsorship is now disclosed under activities for generating funds and not incoming resources from charitable activities as in previous years. The prior year figures have been adjusted to reflect this change.  
 All operations continued throughout the period. There are no recognised gains and losses other than those shown above.  
 For an explanation of transfers please see note 16.  
 This Statement of Financial Activities is shown in this expanded format to enable a reader of the accounts to distinguish between the Gallery's operating activities and those activities relating to capital projects and acquisitions, which due to their high value could otherwise have a distorting effect on the overall presentation of incoming and outgoing resources.

The notes on pages 31 to 48 form part of these accounts

## Balance Sheet as at 31 March 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	10	<b>207,242</b>		228,481	
Heritage Assets	10	<b>130,865</b>		73,258	
Investments	11a	<b>18,933</b>		22,946	
			<b>357,040</b>		324,685
<b>Current Assets</b>					
Stock		<b>2</b>		2	
Debtors	12	<b>31,916</b>		1,785	
Investments	11b	<b>7,795</b>		6,815	
Cash at bank and in hand	19d	<b>12,151</b>		11,595	
		<b>51,864</b>		20,197	
<b>Creditors:</b>					
Amounts falling due within one year	13	<b>(21,563)</b>		(3,332)	
<b>Net current assets</b>			<b>30,301</b>		16,865
<b>Total assets less current liabilities</b>			<b>387,341</b>		341,550
<b>Creditors:</b>					
Amounts falling due after one year	13		<b>(38,348)</b>		(3,584)
<b>Net assets</b>			<b>348,993</b>		337,966
<b>Represented by:</b>					
Restricted funds:	16		<b>286,390</b>		270,938
Unrestricted funds:					
Designated		<b>50,903</b>		47,673	
Designated funds already expended on acquisitions		<b>5,468</b>		5,524	
General funds		<b>1,993</b>		8,556	
	16		<b>58,364</b>		61,753
<b>Total Income Funds</b>			<b>344,754</b>		332,691
<b>Capital funds – permanent endowments</b>	16		<b>4,239</b>		5,275
<b>Total Funds</b>			<b>348,993</b>		337,966

The notes on pages 31 to 48 form part of these accounts.

**Nicholas Penny**  
Director and Accounting Officer

9th July 2009

**Mark Getty**  
Chairman

9th July 2009



## Cash Flow Statement for the year ended 31 March 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	19a		<b>4,592</b>		5,358
<b>Returns on investment and servicing of finance</b>					
Bank interest received		591		785	
Interest received on investment portfolio deposits		66		75	
Investment income		<u>738</u>		<u>718</u>	
			<b>1,395</b>		1,578
<b>Capital expenditure and financial investment</b>					
Receipts from sale of tangible fixed assets		–		–	
Payments to acquire tangible fixed and heritage assets		(2,729)		(1,552)	
Payments from donated funds for collection acquisitions		(1,013)		(56)	
Purchase of investments		(784)		(1,083)	
Proceeds from the sale of investments		<u>75</u>		<u>396</u>	
			<b>(4,451)</b>		(2,295)
<b>Management of liquid resources</b>	19b		<b>1,536</b>		4,641
			<b>(980)</b>		(5,273)
<b>Increase/(decrease) in cash for the year</b>	19c		<b>556</b>		(632)

The notes on pages 31 to 48 form part of these accounts.

# Notes to the Financial Statements

## 1. Accounting Policies

### a. Accounting Convention

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of certain fixed assets and the inclusion of the investments at market value. The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", published in October 2005, and applicable accounting standards.

Investments are stated at market value rather than at historic cost. Any unrealised gains or losses arising from this policy are disclosed in the statement of financial activities (SOFA).

### b. Incoming Resources

All incoming resources are included in the SOFA when the Gallery is legally entitled to the income and the amount can be quantified with reasonable accuracy.

The Grant in Aid from the Department for Culture, Media and Sport is taken to the SOFA in the year in which it is received. Lottery income is recognised as income when the conditions for its receipt have been met. Other grants, donations and legacies are recognised as incoming resources when the Gallery becomes entitled to the income, there is certainty of receipt and the amount is quantifiable.

Gifts in kind intended for use by the Gallery are recognised in the SOFA as incoming resources at a reasonable estimate of their current value on receipt. Contractual income is recognised as incoming resources to the extent that the Gallery has provided the associated goods or services; income from the corporate membership programme, for example, is recognised over the period of membership. Where income is received in advance and the Gallery does not have entitlement to these resources until the goods or services have been provided, the income is deferred in the accounts.

Income derived from endowments has been included within unrestricted funds in the SOFA, except where the application of the income is restricted to a particular purpose, in which case the income and expenditure has been appropriately identified in restricted funds. See note 16 for further details.

### c. Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category, including an apportionment of overhead and support costs. The allocation of these support costs, including overheads, is analysed in note 8.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Exhibitions costs represent the costs of mounting exhibitions. Costs incurred on educational activities include all costs associated with running the Gallery's extensive education programme. Care of the collection costs are those incurred in keeping the collection safe and the cost of restoration and conservation. Study of the collection costs are those incurred in scholarship, research and documentation of the collection. Access to the collection costs are those incurred in promoting understanding and enjoyment of the collection, publicising the Gallery and visitor services.

Governance costs include the costs of providing the governance infrastructure that allows the Gallery to operate, as well as the costs of the strategic planning processes that contribute to the Gallery's future development. These costs include the costs of statutory and internal audit, as well as an apportionment of support costs.

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

Irrecoverable VAT is apportioned across the activity cost categories detailed in note 8.

### Collection Purchases

The historic value of the collection is considered to be incalculable and is inalienable and no amount has been included for it in the Balance Sheet.

In accordance with the Government Financial Reporting Manual (FRoM) – which follows UK GAAP – additions to the collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine.

Works of art donated by third parties, either by gift of the asset or by way of funds for the asset, are capitalised at current value on receipt. Such donations are accounted for through the donated asset reserve and are not included within the caption "incoming resources before transfers, notional costs, revaluations and donations relating to collection acquisitions". Donated assets are not depreciated or revalued as a matter of routine.

The Trustees believe that the collection of the National Gallery is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile, and very valuable. It is truly "priceless" in that it cannot be valued meaningfully.

The treatment required under the FRoM values the collection inconsistently in the Balance Sheet on the seemingly arbitrary basis of whether the picture was acquired pre or post March 2001. Moreover, given the volatility of the international art market and fluctuations in inflation, the historic cost of the picture will soon become an unrealistic carrying value – by way of illustration, the historic cost of the acquisition in 1861 of Piero della Francesca's iconic *Baptism of Christ* is £241, which would now be a meaningless figure on the balance sheet.

Furthermore, the absence of depreciation means that the acquisition costs will not be recognised in the Statement of Financial Activities whereas the related funding, with the exception of restricted donations, will be. The mismatch between the treatment of funding and expenditure gives the misleading appearance both of a surplus in-year, and of a consequent unrestricted reserve carried forward into the future, when in reality the funding has already been used to acquire an inalienable asset.

Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this treatment, but remain very concerned that it will mislead readers of the accounts.

*d. Fund Accounting*

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Gallery and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The funds include bequests made to the Gallery where it was clearly the wish of the donor that the money is to be used for picture purchase but where no legal restriction exists as to the use made of the bequest. The details of each designated fund are disclosed in note 16.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. The aim and use of restricted funds is explained in note 16.

Permanent endowment funds are funds which the donor has stated are to be held as capital.

*e. Tangible fixed assets*

Tangible fixed assets, other than collection acquisitions, are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. The Gallery applies a £2,000 threshold to the capitalisation of fixed assets.

Depreciation is provided on all tangible assets, other than collection acquisitions, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life.

Freehold buildings	75 years
Plant and machinery	30 years
Equipment	4 years
Collection acquisitions	Not depreciated

As the useful economic life of the freehold buildings asset class exceeds 50 years, an impairment review is performed in accordance with FRS 11 at the end of each reporting period, to compare the carrying amount of the fixed asset with its depreciated replacement cost value.

Depreciation is charged on capital costs in the year in which the asset is brought into use. Collection acquisitions are capitalised at historic cost and are not depreciated or revalued as a matter of routine.

*f. Investments*

Investments held as fixed assets are included at market value at the year-end. The SOFA includes any realised and unrealised investment gains and losses arising on revaluation and disposals throughout the year.

Cash in deposits with a maturity of more than 24 hours, excepting cash held specifically as part of the investment portfolio or for investment purposes, is treated as a current asset investment.

*g. Stocks*

Tangible stocks are held by the Gallery for use in the staff canteen. Stocks for the gift shops situated within the Gallery premises are owned by the National Gallery Company Limited. The cafe and restaurant facilities are also franchised out. Stocks are stated at the lower of cost or net realisable value.

*h. Leases*

The National Gallery has no finance leases. Costs in relation to operating leases are charged to the SOFA over the life of the lease.

*i. Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated 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 SOFA.

*j. Pensions*

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. Full details of the pension scheme are included in the Remuneration Report.

*k. Trust Funds*

These funds represent amounts which have been bequeathed to the Gallery mainly for the purposes of picture acquisition. Income earned on the capital held in restricted funds is recognised in the SOFA as it arises. Any unutilised income together with the capital is held in a separate restricted fund which can only be used for the purposes originally specified by the donor.

*l. Notional Costs*

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

*m. Taxation*

The Gallery is eligible under s.505 of the Income and Corporation Taxes Act 1988 to seek from the Inland Revenue exemption from taxes on income arising from the pursuit of its charitable objectives. The Inland Revenue has granted this exemption.

*n. First time adoption of Financial Instruments*

The year ended 31 March 2009 is the first year in which the National Gallery has adopted FRS 25 Financial Instruments: Disclosure and Presentation, FRS 26 Financial Instruments: Measurement, Recognition and Derecognition and FRS 29 Financial Instruments: Disclosures.

## 2 Grant in Aid

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Department for Culture, Media and Sport	<b>26,369</b>	25,597

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.95m (2008: £3.25m) was ring-fenced for capital purposes.

## 3 Other Government Grants

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Strategic Commissioning grant from the Department for Culture, Media and Sport	<b>158</b>	160

## 4 Donations

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Individuals	<b>78</b>	175
Trusts and Foundations	<b>553</b>	539
Corporate donors	<b>128</b>	42
Gifts in Kind	<b>4</b>	57
Other	<b>156</b>	21
	<b><u>919</u></b>	<u>834</u>

Restricted donations included above total £0.7m.

Donations relating to capitalised collection acquisitions can be split as follows:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Individuals	<b>264</b>	17
Trusts and Foundations	<b>332</b>	–
Corporate donors	<b>3</b>	5
Gifts in kind	<b>31,931</b>	–
Pictures acquired under the acceptance-in-lieu scheme	<b>–</b>	7,875
Other	<b>8</b>	3
	<b><u>32,538</u></b>	<u>7,900</u>
Total donations	<b><u>33,457</u></b>	<u>8,734</u>

## 5. Activities for generating funds and other incoming resources

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<i>Activities for generating funds</i>		
Trading	<b>2,021</b>	1,701
Concessions	<b>856</b>	845
Miscellaneous	<b>363</b>	307
	<b><u>3,240</u></b>	<u>2,853</u>

Trading income includes royalties, venue hire, exhibition sponsorship and the corporate membership programme.

## 6. Investment Income

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Bank interest receivable	<b>726</b>	821
Interest receivable on UK investment portfolio deposits	<b>158</b>	227
Other UK fixed interest stocks	<b>176</b>	176
UK equities	<b>450</b>	461
Foreign equities	<b>98</b>	80
	<b><u>1,608</u></b>	<u>1,765</u>

## 7. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2007/08: £Nil). The total value of expenses reimbursed to Trustees amounted to £1,990 for the year (2007/08: £2,121), representing travel and catering expenses for three Trustees.

## 8. Total resources expended

	Direct Costs £'000	Support Costs £'000	Depre- ciation £'000	<b>Total 2009 £'000</b>	Total 2008 £'000
Fundraising costs	1,176	125	–	<b>1,301</b>	910
Unrealised foreign exchange loss	206	–	–	<b>206</b>	–
Investment management costs	82	–	–	<b>82</b>	91
	<u>1,464</u>	<u>125</u>	<u>–</u>	<b>1,589</b>	1,001
Exhibitions	1,920	112	–	<b>2,032</b>	2,124
Educational activities	1,278	139	–	<b>1,417</b>	1,354
Care of the collection	8,193	621	3,384	<b>12,198</b>	11,737
Study and interpretation of the collection	1,695	236	–	<b>1,931</b>	1,865
Access to the collection	10,205	1,062	–	<b>11,267</b>	10,785
	<u>23,291</u>	<u>2,170</u>	<u>3,384</u>	<b>28,845</b>	27,865
Governance costs	257	12	–	<b>269</b>	209
	<u>25,012</u>	<u>2,307</u>	<u>3,384</u>	<b>30,703</b>	29,075

Depreciation has all been allocated to Care of the collection because the primary function of the National Gallery is to house and look after the collection.

A breakdown of support costs and a description of the basis on which these costs have been allocated to each of the activity cost categories is set out below:

Cost type	Fundraising costs	Exhibitions	Educational activities	Care of the collection	Study of the collection	Access to the collection	Governance	Total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Finance	23	80	37	290	8	55	5	<b>498</b>	Direct expenditure of activity
Human Resources	22	7	22	70	48	547	2	<b>718</b>	Headcount
Information Services	69	22	69	226	156	399	4	<b>945</b>	Headcount of office-based staff
Office Services	11	3	11	35	24	61	1	<b>146</b>	Headcount of office-based staff
	<u>125</u>	<u>112</u>	<u>139</u>	<u>621</u>	<u>236</u>	<u>1,062</u>	<u>12</u>	<b>2,307</b>	

Analysis of governance costs:

	<b>2009 £'000</b>	2008 £'000
Staff costs	158	119
Auditor's remuneration	39	37
Internal audit fees	17	23
Cost of meetings	8	6
External consultants	35	15
Support costs	12	9
	<u>269</u>	<u>209</u>

Total resources expended include the following:

	<b>2009</b>	2008
	<b>£</b>	£
Auditor's remuneration:		
Statutory audit	<b>38,000</b>	36,565
EU scientific department audit	<b>650</b>	600
	<b>38,650</b>	37,165
Leased rental payments on equipment and office space	<b>508,699</b>	507,419

## 9 Staff Costs

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Wages & salaries	<b>12,180</b>	11,503
Social security costs	<b>863</b>	830
Pension costs	<b>2,073</b>	1,978
	<b>15,116</b>	14,311

The total number of senior employees, including the Director, whose remuneration as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	<b>2009</b>	2008
£60,000 - £69,999	<b>3</b>	5
£70,000 - £79,999	<b>5</b>	3
£140,000 - £149,999	<b>1</b>	1
	<b>9</b>	9

All of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes.

The average number of employees during the year, analysed by function was:

	<b>2009</b>	2008
Fund-raising	<b>13</b>	10
Exhibitions	<b>4</b>	5
Educational activities	<b>13</b>	13
Care of the collection	<b>42</b>	42
Study of the collection	<b>29</b>	30
Access to the collection	<b>331</b>	328
Support Costs	<b>24</b>	26
Governance	<b>1</b>	1
	<b>457</b>	455

Further information relating to the Director's and senior managers' pay can be found in the Remuneration Report.

**10. Tangible assets and heritage assets**

	Freehold Land & Buildings £'000	Plant & Machinery £'000	Assets in the Course of Construction £'000	Equipment £'000	<b>Total £'000</b>	<b>Heritage Assets £'000</b>
<b>Cost or Valuation</b>						
As at 1 April 2008	168,800	59,300	43	3,001	<b>231,144</b>	<b>73,258</b>
Donated works of art	–	–	–	–	–	<b>46,013</b>
Additions	971	1,167	91	607	<b>2,836</b>	<b>11,594</b>
Disposals	–	–	–	(163)	<b>(163)</b>	–
Revaluation	(22,240)	1,549	–	–	<b>(20,691)</b>	–
Transfers	–	–	–	–	–	–
As at 31 March 2009	<u>147,531</u>	<u>62,016</u>	<u>134</u>	<u>3,445</u>	<b>213,126</b>	<b>130,865</b>
<b>Depreciation</b>						
As at 1 April 2008	–	–	–	2,663	<b>2,663</b>	–
Disposals	–	–	–	(163)	<b>(163)</b>	–
Charge for year	1,031	2,016	–	337	<b>3,384</b>	–
Revaluation	–	–	–	–	–	–
As at 31 March 2009	<u>1,031</u>	<u>2,016</u>	<u>–</u>	<u>2,837</u>	<b>5,884</b>	–
<b>Net Book Value</b>						
31 March 2009	<u><b>146,500</b></u>	<u><b>60,000</b></u>	<u><b>134</b></u>	<u><b>608</b></u>	<u><b>207,242</b></u>	<u><b>130,865</b></u>
31 March 2008	<u>168,800</u>	<u>59,300</u>	<u>43</u>	<u>338</u>	<u><b>228,481</b></u>	<u><b>73,258</b></u>

The collection is inalienable, and the historic value of those paintings acquired before 1 April 2001 is considered to be incalculable. No amount has been included for those paintings in the Balance Sheet.

The freehold of the National Gallery, including both the Wilkins Building and the Sainsbury Wing, was transferred from the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994. In accordance with Treasury requirements, land and buildings were valued on a depreciated replacement cost basis at 31 March 2009. The valuation was performed by AtisReal, an independent firm of Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual (the Red Book).

The financial effect of revaluing other assets was considered to be insignificant in terms of the overall net book value and therefore they have been disclosed at their historic cost value.

The Trustees consider the building to be effectively inalienable; it would not be possible to realise its value. The net book value at 31 March 2009 represents fixed assets held for charitable purposes only.



**11. a) Fixed asset investments**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Market value as at 1 April	<b>22,946</b>	23,591
Increase/(decrease) in investment portfolio deposits	<b>708</b>	594
Listed investments:		
Disposal proceeds	<b>(75)</b>	(396)
Additions at cost	<b>76</b>	489
Realised and unrealised gains	<b>(4,722)</b>	(1,332)
Market value as at 31 March	<b><u>18,933</u></b>	<u>22,946</u>

All investments are listed on a recognised stock exchange and are analysed as follows:

*Listed Investments*

UK fixed interest stocks	<b>2,795</b>	2,773
UK equities	<b>7,836</b>	11,628
Overseas equities	<b>3,349</b>	4,300
	<b><u>13,980</u></b>	<u>18,701</u>

*Cash held as part of the investment portfolio*

UK investment portfolio deposits	<b>4,953</b>	4,245
	<b><u>18,933</u></b>	<u>22,946</u>

The overall market value of investments decreased during the year, reflecting movements in both the UK and international markets.

**(b) Current asset investments**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Current asset investments	<b>7,795</b>	6,815

Current asset investments comprise cash in deposits with a maturity of more than 24 hours, excepting cash held specifically as part of the investment portfolio or for investment purposes, is treated as a current asset investment.

**12. Debtors**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Amounts falling due within one year:		
Trade debtors	<b>481</b>	276
Other debtors	<b>10,577</b>	178
Tax and social security	<b>500</b>	484
Prepayments & accrued income	<b>1,936</b>	847
	<b><u>13,494</u></b>	<u>1,785</u>
Amounts falling due in more than one year:		
Other debtors	<b><u>18,422</u></b>	<u>–</u>

The sum of other debtors (£28.9m) relate to incoming resources for the acquisition of Titian's 'Diana and Actaeon' from National Galleries of Scotland, the National Heritage Memorial Fund and the Art Fund. Whole of Government Account debtors total £5m.

**13. Creditors**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Amounts falling due within one year:		
Trade creditors	<b>1,685</b>	938
Other creditors	<b>17,492</b>	964
Accruals and deferred income	<b>2,386</b>	1,430
	<b><u>21,563</u></b>	<u>3,332</u>

Other creditors include £16.3m due to be paid on 6 April 2009 for the acquisition of Titian's 'Diana and Actaeon'.

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Amounts falling due in over one year:		
Other creditors	<b>32,197</b>	769
Accruals and deferred income	<b>6,151</b>	2,815
	<b><u>38,348</u></b>	<u>3,584</u>
In more than one year but not more than two years	<b>18,167</b>	526
In more than two years but not more than five years	<b>18,407</b>	1,048
In more than five years, payable by instalments	<b>1,774</b>	2,010
	<b><u>38,348</u></b>	<u>3,584</u>

Other creditors due in over one year include £31.6m due to be paid in equal instalments on 6 April 2010 and 2011 for the acquisition to Titian's 'Diana and Actaeon'.

Movement on the deferred income account	<b>2009</b>	2008
	<b>£'000</b>	£'000
As at 1 April	<b>3,315</b>	4,248
Amounts released from previous years	<b>(661)</b>	(1,248)
Incoming resources deferred in the current year	<b>5,713</b>	315
As at 31 March	<b><u>8,367</u></b>	<u>3,315</u>

Amounts due to/ from related parties including those associated with the Whole of Government Accounts are disclosed in note 20.

Income deferred in the year includes donations related to the acquisition of Titian's 'Diana and Actaeon', which have been deferred to match the income with known future payments. Other incoming resources deferred in the current and previous year include an estimate of the value of the donated element of a painting, *The Cumaean Sibyl with Putto* by Guercino, which is being acquired by the Gallery in instalments and the title of which passes to the Gallery at an uncertain point in the future. The carrying value of this picture in the balance sheet is £4.2m. Also included above is a creditor balance representing the likely future instalments due in relation to the picture. Given that the nature of the acquisition is likely to result in a substantial proportion of the value being donated to the Gallery, we do not consider it appropriate to classify this as a finance lease arrangement.

**14. Financial risk management**

FRS 29 requires disclosure of the role financial instruments have had during the period in creating or changing the risks the Gallery faces in undertaking its activities.

**Credit risk**

The Gallery's credit risk arises from investments, cash deposits with banks, trade and other debtors. Cash is held by the Gallery's bankers. The Gallery has not suffered any loss in relation to cash held by bankers.

The Gallery is exposed to credit risk of £0.5m of trade debtors. This risk is not considered significant as major customers are familiar to the Gallery. The Gallery's Income Committee regularly meets to review the debtor profile of the Gallery and ensure prompt action is taken, and a provision is made at the end of the year against any debts considered doubtful.

The Gallery is exposed to credit risk of £29.5m on the income receivable for the acquisition of Titian's *Diana and Actaeon*. The risk is not considered significant as the donor is well known to the Gallery and has an established record of making payments on time.

### Liquidity risk

Approximately 76% of the Gallery's incoming resources before transfers, notional costs and revaluations is provided by Grant in Aid from the Department for Culture, Media and Sport. As a result the Gallery is not exposed to significant liquidity risks.

Exposure to liquidity risk amounts to £11.2m of equity investments. The Gallery's investments are monitored by a sub-committee of the Board which meets regularly to consider liquidity requirements over the medium term and review fund performance in discussion with the fund managers.

### Market risk

#### a) Interest rate risk

The reserves and investment policies of the Gallery are outlined in the Trustees' Report of the accounts. Interest income is 1% of the Gallery's incoming resources before transfers, notional costs and revaluations, so the interest rate is not considered to be a significant risk for the Gallery.

The Gallery is exposed to interest rate risk on its interest bearing deposits. The Gallery's interest rate policy seeks to minimise interest volatility by using fixed-rate deposits where possible.

The following table shows the interest rate profile of the Gallery's financial assets.

	Total £'000	Non- interest bearing assets held £'000	Floating- rate cash held £'000	Fixed rate short term cash deposits held £'000	Fixed rate weighted average interest rate %	Weighted average period for which rate is fixed Days
At 31 March 2009 Sterling	38,879	14,002	15,325	9,552	3.84%	86
At 31 March 2008 Sterling	40,910	18,745	14,216	7,949	5.65%	52

The interest receivable on the floating rate deposits is at a variable rate as determined by the Gallery's bank, Coutts & Co.

#### b) Price risk

The Gallery's comprehensive annual budget reflects anticipated levels of income for the year. It is reviewed and agreed by the Management Committee, and incorporated in a corporate plan which is reviewed and approved by Trustees.

Costs of supplies purchased are subject to contracts with suppliers, the structure of which vary; for example some are based on current market prices, others are at agreed fixed prices. The Gallery's exposure to equity securities price risk is monitored by the Trust Funds Committee, as described in the investment policy above. The Gallery does not hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such instrument, as outlined below, or where it is held as part of an investment strategy as determined by the Trust Funds Committee.

#### c) Foreign currency risk

At the balance sheet date the Gallery held a foreign exchange forward contract agreement to manage the translation of a US\$990k donation which is due to be received in October 2009. The exchange rate at the transaction date is fixed, meaning the total liability is known and is matched to a known incoming donation. It is considered very unlikely that the donation will not be received as the donor is well known to the Gallery and has an established record of making significant donations on a timely basis in accordance with amounts pledged in advance. The potential foreign exchange loss on translation as at the balance sheet date is £0.2m, and has been included in the accounts as an unrealized loss on foreign exchange.

Foreign currency transactions are not material other than the forward contract.

The Gallery does not consider the market risks listed to be significant enough to require a sensitivity analysis.

**Financial assets and liabilities**

The following table shows the Gallery's financial assets and liabilities by category, as defined in FRS25, as at 31 March 2009.

	Loans & receivables £'000	Available- for-sale £'000	Other financial liabilities £'000
Cash	12,142		
Current asset investments	7,795		
Trade and other debtors	29,865		
Investments		18,933	
Trade and other creditors			(51,250)
	<u>49,802</u>	<u>18,933</u>	<u>(51,250)</u>

**15. Financial Commitments****Capital Commitments**

	<b>2009</b> <b>£'000</b>	2008 £'000
Capital expenditure commitments were as follows:		
Contracted for, but not provided in the accounts	<u>86</u>	<u>174</u>

**Commitments under operating leases**

As at 31 March 2009 the National Gallery had annual commitments under operating leases for office space, photocopiers and vending machines as set out below:

	<b>2009</b> <b>£'000</b>	2008 £'000
Operating leases which expire:		
Within 1 year	260	246
In the second to fifth years	16	38
Over 5 years	<u>-</u>	<u>-</u>

**16. Statement of funds**

	At 1 April 2008 £'000	Income £'000	Expenditure £'000	Net movement on investments and indexation £'000	Transfers between reserves £'000	At 31 March 2009 £'000
<b>Unrestricted funds</b>						
Designated funds:						
Capital assets reserve	32,149	125	(476)	(2,911)	–	28,887
Designated funds expended on acquisitions	5,524	–	–	–	(56)	5,468
Designated funds for purchase of heritage assets	2,284	–	–	–	(270)	2,014
Designated funds for the acquisition of Titian's Diana & Actaeon	–	–	–	–	8,325	8,325
Trust funds designated collection purchases	13,207	1,114	(51)	(2,593)	–	11,677
Designated for purchase of frames and furniture	33	–	–	–	(33)	–
<b>Total designated funds</b>	<b>53,197</b>	<b>1,239</b>	<b>(527)</b>	<b>(5,504)</b>	<b>7,966</b>	<b>56,371</b>
General funds	8,556	27,792	(26,377)	–	(7,978)	1,993
<b>Total unrestricted funds</b>	<b>61,753</b>	<b>29,031</b>	<b>(26,904)</b>	<b>(5,504)</b>	<b>(12)</b>	<b>58,364</b>
<b>Restricted income funds</b>						
Land & buildings reserve	141,454	–	(2,095)	(12,810)	–	126,549
Capital assets reserve	54,878	2,711	(813)	(4,970)	–	51,806
Donated works of art reserve	67,079	34,046	–	–	–	101,125
Exhibitions programme fund	114	197	(198)	–	7	120
Running cost fund	358	714	(625)	–	5	452
Curatorial fund	1,445	100	(36)	–	–	1,509
Collection purchases fund	40	1	–	–	–	41
Collection purchases trust fund	3,999	247	(23)	(785)	(3,175)	263
Designated funds for the acquisition of Titian's Diana & Actaeon	–	–	–	–	3,175	3,175
Art historical research	1,571	96	(9)	(308)	–	1,350
<b>Total restricted income funds</b>	<b>270,938</b>	<b>38,112</b>	<b>(3,799)</b>	<b>(18,873)</b>	<b>12</b>	<b>286,390</b>
<b>Capital funds</b>						
Collection purchase endowments	2,890	–	–	(568)	–	2,322
Art historical research endowment	981	–	–	(192)	–	789
General purpose endowments	1,404	–	–	(276)	–	1,128
<b>Total capital funds</b>	<b>5,275</b>	<b>–</b>	<b>–</b>	<b>(1,036)</b>	<b>–</b>	<b>4,239</b>
<b>Total funds</b>	<b>337,966</b>	<b>67,143</b>	<b>(30,703)</b>	<b>(25,413)</b>	<b>–</b>	<b>348,993</b>

**Fair value reserve (investments)**

	At 1 April 2008 £'000	Unrealised gain/losses under fair value £'000	Realised gain/losses under fair value £'000	As at 31 March 2009 £'000	Reserve/ Fund net of fair value as at 31 March 2009 £'000	<b>Reserve/ Fund (inc fair value) as at 31 March 2009 £'000</b>
<b>Unrestricted</b>						
Trusts funds designated collection purchases	1,279	(2,593)	–	(1,314)	12,991	11,677
<b>Restricted</b>						
Collection purchases trust fund	387	(785)	–	(398)	661	263
Trust funds for acquisition of Titian's Diana & Actaeon	–	–	–	–	3,175	3,175
Art historical research	152	(308)	–	(156)	1,506	1,350
	<u>539</u>	<u>(1,093)</u>	<u>–</u>	<u>(554)</u>	<u>5,342</u>	<u>4,788</u>
<b>Capital Funds</b>						
Collection purchase endowments	280	(568)	–	(288)	2,610	2,322
Art historical research endowment	95	(192)	–	(97)	886	789
General purpose endowments	136	(276)	–	(140)	1,268	1,128
	<u>511</u>	<u>(1,036)</u>	<u>–</u>	<u>(525)</u>	<u>4,764</u>	<u>4,239</u>
	<u>2,329</u>	<u>(4,722)</u>	<u>–</u>	<u>(2,393)</u>	<u>23,097</u>	<u>20,704</u>

Transfers between unrestricted and restricted funds reflect restricted income received during the year where the relevant expenditure had been incurred and allocated against unrestricted funds in earlier years.

The accounts comprise of a number of individual funds which divide into distinct categories as defined below:

**Unrestricted Funds**

- n The Trustees have designated £8.3m of unrestricted funds towards the acquisition of Titian's 'Diana and Actaeon' and a further £3.2m of restricted funds will be used to bring the contribution to the acquisition from the Gallery's own funds to £11.5m.
- n Capital assets reserve comprises funds applied towards the purchase of equipment and building works.
- n Designated funds expended on acquisitions represents the value of collection acquisitions made since 1 April 2001 from unrestricted funds.
- n Trust funds designated collection purchases comprises funds applied to the acquisition of works of art for the collection and held within the Trust Funds, while funds designated for purchase of frames and furniture represents Gallery funds to be applied for the acquisition of frames and furniture.
- n General funds are funds applied for general use.

**Restricted funds**

- n Land & buildings reserve comprises funds in respect of the Gallery's land and buildings.
- n Capital assets reserve comprises funds raised specifically towards the purchase of equipment and building works.
- n The donated works of art reserve represents the value of works of art donated to the collection either by gift or by way of funds for acquisition subsequent to 1 April 2001 and capitalised.
- n Exhibitions programme reserve comprises funds raised specifically towards the financing of the Gallery's exhibition programme.
- n Running cost funds are funds raised specifically for the financing of running costs projects, including educational projects.
- n Curatorial funds are funds raised specifically for the financing of curatorial activities, including the funding of certain curatorial posts.
- n Collection purchases funds comprise grants received specifically towards the acquisition of works of art for the collection.

- n Collection purchases trust funds comprise grants received specifically towards the acquisition of works of art for the collection and held within the Trust Funds and £3.2m of these funds will be used in funding the acquisition of Titian's 'Diana and Actaeon'.
- n Art historical research represents funds raised specifically towards the financing of curatorial research into the collection and held within the Trust Funds.

**Capital funds**

- n Collection purchase endowments comprise funds donated where the income may be applied only to collection purchases, while any capital growth must be retained in the endowment.
- n Art historical research endowment represents funds donated where the income may be applied only towards the cost of research into the collection, while any capital growth must be retained in the endowment.
- n General purpose endowments comprise funds donated where the income may be applied to general expenditure, while any capital growth must be retained in the endowment.

**17. Notional cost of capital**

Notional cost of capital is calculated as 3.5% (2007/08: 3.5%) of the average capital employed by the Gallery in the year less the value of assets funded by donations.

	Unrestricted Funds £'000	Restricted Funds £'000	<b>Total Funds 2009 £'000</b>	Total Funds 2008 £'000
Notional cost of capital	(3,637)	–	<b>(3,637)</b>	(4,127)
Reversal of notional cost of capital	3,637	–	<b>3,637</b>	4,127
Net notional costs	–	–	–	–

**18. Analysis of net assets between funds**

	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment £'000	<b>Total Funds 2009 £'000</b>	Total Funds 2008 £'000
Tangible assets	28,887	178,355	–	<b>207,242</b>	228,481
Heritage assets	29,740	101,125	–	<b>130,865</b>	73,258
Investments	13,081	1,613	4,239	<b>18,933</b>	22,946
Other net assets	(13,344)	5,297	–	<b>(8,047)</b>	13,281
Total net assets	<u>58,364</u>	<u>286,390</u>	<u>4,239</u>	<b><u>348,993</u></b>	<u>337,966</u>

**19. Notes to the cash flow statement**

	<b>2009 £'000</b>	2008 £'000
<b>a. Reconciliation of changes in resources to net inflow from operating activities</b>		
Net incoming resources before transfers, notional costs and other recognised gains and losses	<b>36,440</b>	11,621
Receipts from sale of tangible fixed assets	–	–
Investment income	<b>(1,608)</b>	(1,765)
Unrealised foreign exchange loss	<b>206</b>	–
Donated collection acquisitions	<b>(56,500)</b>	(7,875)
Depreciation charge	<b>3,384</b>	3,420
Decrease/(increase) in debtors	<b>(29,918)</b>	179
Increase/(decrease) in creditors	<b>52,588</b>	(221)
Decrease/(increase) stocks	–	(1)
Net cash inflow from operating activities	<b><u>4,592</u></b>	<u>5,358</u>
<b>b. Management of liquid resources</b>		
Increase/(decrease) in liquid investment portfolio deposits	<b>980</b>	5,273
Management of liquid resources	<b><u>980</u></b>	<u>5,273</u>

Liquid resources comprise cash in deposits with maturity of more than 24 hours, excepting cash held specifically as part of the investment portfolio or for investment purposes.

**c. Reconciliation of net cash flow to movement in net funds**

Increase in cash in the year	<b>556</b>	(632)
Cash balance at beginning of year	<b>11,595</b>	12,227
Cash balance at end of year	<b><u>12,151</u></b>	<u>11,595</u>

**d. Composition of the cash balance at the end of the year**

Balance with the Paymaster General	<b>2,159</b>	2,799
Balances held with commercial banks	<b>9,983</b>	8,783
Cash in hand	<b>9</b>	13
	<b><u>12,151</u></b>	<u>11,595</u>



## **20. Related Party Transactions**

The National Gallery is a Non-Departmental Public Body whose sponsor department is the Department for Culture, Media and Sport ("DCMS"). DCMS is regarded as a related party. During the year, the National Gallery has had various material transactions with DCMS and with other entities for which DCMS is regarded as the parent department. The National Gallery also entered into material related party transactions with other related parties during the year, as set out below.

Related Party	Nature of relationship	Value of income received during the year £'000	Value of expenditure during the year £'000	Outstanding balances due from/ (due to) at year end £'000	Nature of transaction
American Friends of the National Gallery, London, Inc	Mr Peter Scott and Mr Mark Getty, directors of the related party, served as trustees of the National Gallery during the year	69	–	6	Grants for Technical Bulletin, strengthening the curatorial department and development of the webiste
Ashmolean Museum, Oxford	Mr James Fenton, a trustee of the National Gallery, is a Visitor	–	20	–	Reimbursement for costs they incurred in relation to the DCMS Strategic Commissioning Project.
British Museum	Entity sponsored by DCMS	–	27	–	Internal audit fee.
CQS	Mr Michael Hintze, a trustee of the National Gallery is Chief Executive Officer of the related party	30	–	–	Membership fee for Corporate Contributors scheme.
DCMS	Sponsor department	26,628	–	58	Grant in aid and strategic commissioning project
National Gallery Company Ltd	Mr Simon Burke, a director of the related party, served as a trustee of the National Gallery during the year	847	173	236	Rent for commercial space within the National Gallery and payment for publications.
National Gallery Trust	Mr Peter Scott, Mr Simon Burke and Mr Mark Getty, trustees of the related party served as trustees of the National Gallery during the year	28	–	–	Grants for specific projects and accounting fee
National Museums and Galleries on Merseyside	Entity sponsored by DCMS	–	15	–	Reimbursement for costs they incurred in relation to the DCMS Strategic Commissioning Project.
National Portrait Gallery	Entity sponsored by DCMS	188	–	–	Utility supply and electrical main upgrade recharges.
Shell International Ltd	Lord John Kerr, a trustee of the National Gallery, is deputy chairman of the related party	15	–	–	Membership fee for Contributors scheme.
The NGT Foundation	Mr Ranjit Sondhi, Mr Peter Scott, Mr Mark Getty and Lady Heseltine, trustees of the related party, served as trustees of the National Gallery during the year	30	650	–	Rental of office space, annual management and accounting fee recharge.
The National Heritage, Memorial Fund	Entity sponsored by DCMS	–	–	4,893	Employee training.
Victoria and Albert Museum	Entity sponsored by DCMS	2	9	–	National Museum Directors' Conference subscription and loan for an exhibition.
		<u>27,837</u>	<u>894</u>	<u>5,193</u>	

## **21. Post Balance Sheet Events**

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



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