

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to Museums and Galleries Act 1992, c.44, section 9(8)

The Board of Trustees of the Tate Gallery Annual Accounts 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 19th JULY 2007

LONDON: The Stationery Office

HC 886

19th July 2007

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Advisers

The principal address for the Board of Trustees of the Tate Gallery is:

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SW1P 4RG

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London NW1 2EP

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440 Strand
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TriAlpha Fund Managers (Jersey) Limited
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London
EC2V 6BB

Withers LLP
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EC4M 7EG

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1 Silk Street
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Annual Report

Aim and objectives

Tate's mission, drawn from the 1992 Museums and Galleries Act, is to increase public knowledge and understanding of British art from the sixteenth century to the present day and of international modern and contemporary art. Guided by this mission, seven principal aims were set for the period 2006-07, which were to:

- strengthen Tate's Collection and secure its future, while making it accessible and improving understanding of it;
- advance the position of the four galleries: Tate Britain, Tate Modern, Tate Liverpool and Tate St Ives, in particular using such opportunities as the European Capital of Culture in 2008;
- develop programmes which reach audiences beyond the galleries through national and international partnerships, new interpretation and education strands and Tate Online;
- understand Tate's audiences better, broaden their socio-economic and ethnic mix and improve the quality of the visitor experience;
- enable everyone working at Tate to develop their potential within a culture which promotes equality, respects diversity and values the contribution that all employees make to Tate's success, while ensuring that they have the right systems and tools to support them;
- improve Tate's relationships with its many friends, advocates, supporters and advisors, using the museum's profile to achieve greater impact for its activities and further contribution of the visual arts to life in Britain;
- secure enough money to support Tate's ambitions, combining entrepreneurial flair with strong financial management to ensure maximum value is gained from each public and private pound earned.

Review of activities in 2006-07

The following summarises the achievements in relation to each of these aims in 2006-07.

Collections

A major acquisition in 2006-07 was Turner's *Blue Rigi* purchased with support from the National Heritage Memorial Fund, The Art Fund (including support from members of the public through the *Save the Blue Rigi* appeal), Tate Members and other donors. Other major acquisitions included two works by Jeff Wall, *Morning Cleaning* and *A View from an Apartment*, *Carambole with Pendulum* by Gabriel Orozco and a group of works by Rita Donagh and Jeremy Moon that expand significantly their representation in Tate's Collection. A group of six works by Josef Albers was accepted as a gift from the Josef and Anni Albers Foundation.

Detailed planning started for a new National Art Collection Centre to be sited at Tate Store. This will create a modern facility for the conservation and study of the Collection, capable of being used by other galleries and accessible to the public; the hope is to deliver this major project in partnership with other national museums. Meanwhile support for major exhibitions and loans programmes continued to dominate activity for the Collection and Programme Services division, with new acquisitions continuing to provide new challenges, particularly in time-based media and installations. Major ongoing externally funded research projects included Anoxic framing, Sculpture Replication and the AXA funded acrylics project.

In 2006-07 Tate built on its success in achieving Independent Research Organisation Status by securing major Arts and Humanities Research Council grants for *The Sublime Object* and *Tate Encounters: Black and Asian identities, Britishness and visual culture*. As a signal of Tate's commitment to developing its research strategies and activities, a new post, Head of Research, was created and filled.

Tate Britain, Tate Modern, Tate Liverpool and Tate St Ives

The programme of Collection displays, exhibitions and other public events in 2006-07 included, amongst others: *Albers and Moholy-Nagy, Kandinsky, Carsten Höller, Fischli and Weiss* and *Gilbert and George* at Tate Modern; *Constable, Howard Hodgkin, Holbein in England* and *Hogarth* at Tate Britain; *Marie-Louise von Motesiczky, Bruce Nauman, Kenneth Noland* and *Jake and Dinos Chapman*, at Tate Liverpool; *John Hoyland, Bernard Leach* and *Roger Hilton* at Tate St. Ives. For the first time since Tate Modern opened in 2000, all 48 of its galleries devoted to the display of the permanent Collection were rehung around an entirely new concept, receiving critical acclaim. Tate

Online launched a number of net art commissions including *The Art of Sleep 2006*, by Young-Hae Chang Heavy Industries and *Watercouleur Park 2007*, by French artists group Qubo Gas.

Tate's education programmes reached directly 658,471 learners over the period 2006-07. Online, Tate Learning is averaging around 14,500 unique visits a month and from April 2006 to March 2007, received 159,229 unique visits. The success of *Nahnou-Together*, a partnership between the British Council and Tate Britain involving an exchange of artists, teachers and gallery educators from London and Damascus, led to a display at Tate Britain from May to July 2006. One of Tate Modern's Community advocates won the *Active in the Community* award organised by Southwark Council for her work on *Small Steps*, Tate Modern's outreach programme for local parents and children. The Frida Kahlo Multimedia Tour won the *Silver Muse Award* of the American Museums Association, 2006.

Further progress was made in planning for future capital developments. At Tate St Ives, an options appraisal related to the second phase development of the gallery was carried out with the local community and Cornwall County Council. Tate Liverpool commenced a project to reconfigure the ground floor to improve visitor facilities in preparation for 2008 City of Culture, Caruso St John architects were appointed to develop proposals to improve the visitor facilities at Tate Britain and the design for an ambitious new development of Tate Modern by award-winning architects Herzog and de Meuron was granted planning permission by Southwark Council.

Beyond Tate

Tate continued to collaborate with institutions in Britain and abroad. Major loan exhibitions are increasingly organised in partnership with international galleries and in this period thirteen exhibitions presented at Tate's four galleries travelled internationally or in the UK. Works from the Collection were lent to a record number of venues: 129 in the UK and 127 abroad (with loans to UK venues having increased by 114% in the last five years). The *Visual Dialogues* strategic commissioning project continued with four English museums. In November 2006, Trustees approved a new strategy for Tate's national initiatives. As part of the commitment to this ambition, a new post was created, Director, Tate National, to which an appointment was made in April 2007.

A number of significant new features were added to Tate Online this period, including the addition of a number of exhibition microsites featuring interactive elements and video interviews with artists. Significantly, Tate Media was set up in July 2006 in response to changes in technology and the ways in which people engage with contemporary culture. A number of new initiatives were launched including *Tate Tracks*, a collaboration between art and music; a pod-casting programme, which broadcasts events at both Tate Modern and Tate Britain and *Tate Shots*, which presents a series of short films each month on modern and contemporary art.

Tate Online's *BT series* won the silver prize for Web TV at the International Visual Communication Association Awards. Tate Online also won the *Hitwise Online Performance Award* for achieving the number 1 ranking in the entertainment – arts category. In addition to this, Tate Online was also shortlisted for a Webby Award for *The Dumpster* in the net art category.

Audiences

By the end of the financial year 2006-07, Tate has recorded almost 19 million visitors to its programmes: 7.7 million at the four Tate galleries and 11.2 million unique visitors to Tate Online. It was the busiest 12 month period since Tate Modern opened in May 2000, with 5,229,750 visitors in the year, a 32.1% increase on last year. Tate Britain also had an extremely successful year, reaching 1,665,705 visitors. At the foundation of this achievement was a programme of breadth, texture and authority, which was delivered to great critical and public acclaim. Another contributing factor to the continuing success of the galleries was the improvements made to Visitor Services across the sites.

Amongst the many projects and events which improved the range of visitors participating in Tate's programmes, was Tate Liverpool *Courts* project, in partnership with Merseyside Police and Citysafe, a music and fancy dress extravaganza based around the exhibitions *Summer of Love* and *Assume Vivid Astro Focus* aimed at young people. St Ives' monthly Super Sunday programme for families, in partnership with Sure Start agency, went from strength to strength, while the monthly evening performance event at Tate Britain *Late at Tate* continued to profile contemporary culture and art, attracting record visitors: 44,082 over the year. At Tate Modern, 354,000 on-site and off-site learners took part in Interpretation and Education programmes which varied from major conferences and artists' talks with international speakers, to Kandinsky-related music workshops for new youth audiences.

Tate's diversity Strategy *Tate for All* was approved by Trustees in May 2006. This wide ranging plan sets out how Tate will bring about changes to all aspects of the organisation: programmes, collections, audiences and staff. As noted on page 8, targets for attendances, particularly young people were comprehensively beaten. Tate hosted an Inspire Fellow at Tate Modern and joined the young Graduates for Museums and Galleries scheme.

People, systems and ways of working

A number of changes took place in the structure of Tate and the senior team. Four new senior roles were created to head various parts of Tate as it embarks on the realisation of its future vision: Director, Tate National; Director, Tate Media; Chief Operating Officer; Director of Finance. A new division was formed from the Arts Services, Conservation and Library and Archive teams and a Director of Collection and Programme Services was appointed to lead it. The curatorial teams were rationalised, with acquisition curators joining the exhibition and displays curators at Tate Modern and Tate Britain and headed up by two new posts: Head of Collections (British Art) and Head of Collections (International Art).

A major cross-Tate programme of work to develop a diversity strategy was concluded and communicated widely through the organisation. A staff survey was conducted and its findings widely discussed. Plans were formulated for the development of management and leadership capacity within Tate, while further improvements were made to the Performance and Development Planning process.

Enhancements were made to The Museum System, the database supporting the Collection, Tate Online and Tate's diary management system. A major new relationship management system went live. *About Tate*, a new section of Tate Online, also reached conclusion and makes information about the internal structures, policies and processes of Tate widely available.

Partnerships and relationships with advisors and supporters

Commitment to Tate from the business sector remained strong: the Corporate Team launched a major three year partnership with UBS, key sponsors confirmed further long term commitments and corporate membership achieved a renewal rate in excess of 80%.

Membership numbers reached 78,000 at the year end (74,000 in March 2006); the renewal rate for the year averaged 80%, those paying by Direct Debit rose from 69% to 79% and the percentage consenting to Gift Aid from 62% to 66.5%. Members supported a number of additions to the Collection as well as the programme at all four sites.

Tate continued to enjoy the support of many individuals, trusts and foundations and public sector bodies. Donations received enabled Tate both to acquire and to conserve a wide range of works for the Collection.

Trustees

Julian Opie's term ended on the Board of Trustees in October 2006. Following an open competition, Julian's position was filled by Jeremy Deller whose appointment was announced by the Prime Minister on 10 January 2007. Meanwhile, Helen Alexander was reappointed as a Trustee for a further four years.

Efficiency

Effective Tate, the project to deliver Tate's business processes more effectively continued throughout the year. 84% of the efficiency savings targeted in Tate's Efficiency Delivery Plan, was achieved during 2006-07 as a result of the successful implementation of restructuring and procurement savings across the organisation. The majority of the remaining efficiency target relates to procurement savings arising from the exhibitions and displays programme. This target was not achieved due to unanticipated increases in transport costs, together with technically complex installations of the 2006-07 programme impacting on the efficiency target. Further savings were made as part of the *Effective Tate* cost reduction programme, in addition to the efficiency savings targeted in Tate's funding agreement.

Trading Activities

Tate Enterprises enjoyed another successful year, with a turnover £29,576,000 and a net profit contributed to Tate of £3,368,000.

The shops at Tate Modern prepared for a large and diverse audience attracted to the Carsten Höller slides by bringing in an affordable range of art-centred gifts, which proved very popular. At Tate Britain visitors responded keenly to the catalogues and merchandise for *Hodgkin*, *Holbein* and *Hogarth*. The competitively priced *Holbein* catalogue at £16.99 was particularly successful and sold over 20,000 copies. Tate Publishing launched a new series, *Essential Artists*, the Picture Library provided its first digital service and the Online Shop was updated and redesigned. Fresh product at St Ives helped to maximise the summer revenue and in Liverpool preparations began on the design for a new shop.

Tate Catering also had a successful year, responding well to the excellent visitor numbers at both London sites. Tate Liverpool held up well despite difficult local trading conditions, while Tate St Ives had one of its best summers on record. Tate Catering also retained its contract at the Fitzwilliam Museum in Cambridge for a further three years and once again delivered the Ice Café at Somerset House. It also successfully tendered for the contract at Bluecoat Arts Centre, Liverpool, which is due to open in early 2008.

Performance indicators

Targets agreed with the Department for Culture, Media and Sport as part of the annual funding agreement process were achieved as follows:

Funding agreement targets

	Target	Actual 2007	Actual 2006
Number of actual visits (000's)	6,000	7,708	6,412
Number of unique users visiting the website (000's)	7,000	11,250	8,406
Number of adult UK visitors (aged 16 and over) from NS-SEC socio-economic groups 5-8 attending the gallery (000's)	619	894	691
Number of children aged 15 and under visiting the gallery (000's)	840	1,274	930
Number of children aged 15 and under in on- and off-site organised educational sessions (000's)	220	252	219
Net self-generated income (£000's)	8,100	10,773	11,803
Efficiency savings (£000's)	1,940	1,635	1,545

Financial Review

The Consolidated Statement of Financial Activities on pages 20 and 21 shows total incoming resources of £101,484,000 (£97,621,000 in 2005-06). Of this amount £12,218,000 (£11,923,000 in 2005-06) was applied to the on-going capital programme and £13,620,000 (£13,455,000 in 2005-06) to Collection acquisitions. Of the remaining £75,646,000 (£72,243,000 in 2005-06), £75,440,000 (£71,964,000 in 2005-06) was used to fund ongoing operations in the year, with the remaining £206,000 (£279,000 in 2005-06) taken to general funds.

Tate received £34,124,000 of Grant in Aid from Parliament, (£31,799,000 in 2005-06), provided through the Department for Culture, Media and Sport. £150,000 of the Grant in Aid for 2006-07 was provided through the DCMS Reform Fund towards the replacement of Tate's human resources system. Tate continues to supplement this grant from other sources and self-generated income from trading, admissions and fundraising amounted to £67,360,000 for the year (£65,822,000 in 2005-06).

Resources expended include the costs of generating voluntary income, trading and other costs, investment management costs, costs of charitable activities and governance costs.

Over the past year, Tate has added works of art valued at £14,805,000 to the Collection (£13,332,000 in 2005-06). Of this figure, £3,874,000 has been donated by individuals either directly or in lieu of tax (£5,975,000 in 2005-06). Funding for purchased works of art has come from many sources, including the Lottery, Tate Members, Tate Patrons and self-generated income.

Foreword

Introduction

Presentation of the financial statements

The accounts have been prepared in accordance with the Statement of Recommended Practice (the SORP) "Accounting and Reporting by Charities" (revised 2005) and in compliance with the Accounts Directions issued by the Secretary of State for Culture, Media and Sport.

The Consolidated Statement of Financial Activities set out on pages 20 and 21 has been prepared in line with the SORP and shows incoming resources including income relating to capital projects.

History of body, statutory background, organisation and structure

History

The Tate Gallery was founded at Millbank London in 1897. Although officially known as The National Gallery of British Art, it was commonly called the Tate Gallery after Henry Tate, with its name finally being officially changed in 1932. During the early and mid twentieth century the original building at Millbank was added to as Tate's Collection grew and expanded to include modern works.

The last two decades of the twentieth century saw considerable expansion of Tate with the Clore Gallery, housing the Turner collection opening in 1987 and Tate Liverpool opening the following year. Tate St Ives opened in 1993 and in March 2000 the Tate Gallery Millbank site was rededicated as Tate Britain. Tate Modern opened to the public in May 2000.

Background

From its foundation in 1897 until 1917, the Board of Trustees of the National Gallery administered the Tate Gallery. A separate Board of Trustees for the Tate Gallery was first established by Treasury Minute of 24 March 1917, although all works of art remained vested in the Trustees of the National Gallery, whose Director remained responsible for the financial affairs of the Tate Gallery.

The Tate Gallery was established as an independent institution by the National Gallery and Tate Gallery Act, 1954. A new Treasury Minute of 5 February 1955 defined the scope of the Tate Gallery Collection and vested in its Board of Trustees the responsibility for the Collection and for the management of the Gallery.

The Museums and Galleries Act, 1992, which repealed the 1954 Act, established the Board of Trustees of the Tate Gallery as a corporate body and added it to the list of exempt charities under the 1960 Charities Act. An Order in Council enabling the new Act was issued on 1 September 1992.

In March 2000 the Trustees launched a new organisational identity, re-branding the Tate Gallery as Tate. For statutory purposes the corporate body remains the Board of Trustees of the Tate Gallery.

Tate is a non-departmental public body (NDPB) under the auspices of the Department for Culture, Media and Sport. Tate is an exempt charity.

Connected charities

Tate Members: founded in 1958 as The Friends of the Tate Gallery to raise money for the purchase of works of art for the Gallery, to support the work of Tate and to recruit members, thereby promoting the work of Tate to the general public. The Tate Members Council meets regularly to allocate its funds to Tate acquisitions and exhibitions and special projects on behalf of all Tate Members.

During the year Tate Members made donations to Tate of £3,949,845 (£2,700,435 in 2005-06).

Tate Foundation: created in 2000 to further the charitable purposes of the Board of Trustees of the Tate Gallery through active fundraising, investment and membership schemes.

During the year Tate Foundation made donations to Tate of £1,055,475 (£1,076,762 in 2005-06).

Organisation and structure

Tate's Board comprises twelve members, at least three of whom are practising artists and one is appointed by the National Gallery Board of Trustees from among members of that Board; the remainder are appointed by the Prime Minister. Trustees are usually appointed for four years and may be reappointed for a further term (though it is current convention that artists serve only one term). Trustees elect a Chairman from among their number.

The 1992 Museums and Galleries Act defines the establishment, constitution, functions and property of the Board of Trustees. On a day-to-day basis, the Board's responsibilities can be summarised as to:

- determine policy;
- establish the overall strategic direction of Tate within the policy and resource framework;
- decide on major acquisitions and major resource issues such as new buildings;
- supervise the management of Tate by acting as guardians of the public interest;
- oversee the delivery of planned results by monitoring performance against objectives and targets; and
- use the combined expertise of members to advise the Director.

The Board is advised by a number of formal sub-committees, whose members comprise both Trustees and non-Trustees.

Trustees serving in the period 2006-07 were:

Helen Alexander
Victoria Barnsley
Melanie Clore
Sir Howard Davies
Jeremy Deller (appointed 10 January 2007)
Anish Kapoor
Patricia Lankester
Professor Jennifer Latto
Paul Myners (Chairman)
Julian Opie (retired 22 October 2006)
Fiona Rae
Jon Snow
John J Studzinski

The Tate Director, currently Sir Nicholas Serota, is appointed by the Board of Trustees with the approval of the Prime Minister. He is Tate's Accounting Officer and is responsible to the Board for the general exercise of the Board's functions. The Director's Group assists the Director in the discharge of these responsibilities.

At 31 March 2007 the Director's Group comprised:

Sir Nicholas Serota, Director, Tate (Chairman)
Alex Beard, Deputy Director
Stephen Deuchar, Director, Tate Britain
Will Gompertz, Director, Tate Media
Brian Gray, Director, Operations
Anna Jobson, Head of Policy and Planning
John Nickson, Director, Tate Foundation
Andrea Nixon, Executive Director, Tate Liverpool
Vicente Todolí, Director, Tate Modern
Sian Williams, Director, Finance and Resources (resigned 31 May 2007)
Rebecca Williams, Director, Development
Chris Woods, Director, Collection and Programme Services

Conflicts of interests

The Board of Trustees is required to follow the principles established by the Nolan Committee in the conduct of public bodies. This includes the declaration of individual Trustees' interests. A Register of Interests is kept to identify any potential conflicts of interest between Trustees' private, professional, political and business activities (including those of close family and household members) and those of Tate. This is available on Tate Online and by written request.

Sir Nicholas Serota is a director of Tate Foundation and was also a commissioner for CABE (Commission for Architecture and the Built Environment) until August 2006, when his fixed-term appointment ended. Since April 2006 he has been a member of the Olympic Development Authority.

Two orders were issued in the year by the Charity Commission under section 26 of the Charities Act 1993, authorising transactions with Trustees, or companies with which Trustees are connected, as follows:

- permission was granted to make a payment for expenses incurred by Jeremy Deller in producing a commission for Tate Liverpool exhibition *Centre of the Creative Universe: Liverpool and the Avant-Garde*;
- authorisation was granted to the Trustees to enter into a sponsorship agreement with Land Securities Limited (a company of which the Chairman Paul Myners is also chairman).

Recruitment, appointment and induction of Trustees

Tate Trustees are appointed on the basis of the Code of Practice for ministerial appointments to public bodies, guidance for departments on adopting best practice in appointment procedures.

Trustee vacancies are advertised externally in the media and on Tate Online in order to reach as diverse an audience as possible. All applicants are required to complete an application form and each application is then assessed against set criteria; a short list of candidates is invited to interview. The key stages of the appointment are overseen by a panel, which will normally include the Director in an advisory capacity, the Chairman of the Board of Trustees and an independent assessor who is appointed by the Department for Culture, Media and Sport (DCMS), who makes a recommendation to the Secretary of State. The Minister's recommendation is then considered by the Prime Minister, who makes and announces the appointment.

On appointment, Trustees are provided with a handbook for Tate Trustees and invited to attend an induction which covers roles and responsibilities of the Board, the statutory framework surrounding Tate, processes for managing conflicts of interests and information about Tate. Appropriate training is also offered to Trustees, depending on need and experience.

Review of activities in 2006-07

A full review of activities is contained in the Annual Report on page 3.

Future Developments

Tate's mission is to increase public knowledge and understanding of British, modern and contemporary art. Over the next five years, the ambition is to realise this mission by pursuing the following:

- an ongoing sustained effort to build the Tate Collection systematically and strategically, with particular aims to:
 - strengthen the British collection with the most iconic British art;
 - develop a more striking twentieth-century collection;
 - develop a world-leading representative collection of contemporary art;
 - navigate new geographies across these three areas of focus;
 - build collections in new media, again across these three areas, specifically in photography, film, video and digital media;
- improving the conditions in which the Collection is stored and the facilities devoted to the care of the Collection by creating a National Art Collection Centre, potentially a partnership between Tate and other National Museums. This would bring together conservation and photography studios, laboratories, preparation and packing facilities and associated administration and support facilities;
- an invigorated programme of research across the range of Tate's activities to build the intellectual leadership of Tate and to underpin the ongoing development of Tate's innovative and educational activities;

- continuing to develop and create imaginative ways for those who are, or feel, excluded to benefit from Tate programmes, collections, services and people;
- a commitment to changing the substance of the public programmes across the four sites, embracing new media, different cultures and more voices and becoming more open;
- the further development of those Tate programmes intended for those people who access Tate's activities outside of the walls. Major components are:
 - turning Tate Online from a website to a channel with worldwide reach;
 - taking the Tate magazine to the next stage of development;
 - developing a series of events, productions and relationships that can take Tate outside of its walls;
 - continuing to invest in Tate communications to retain a focus on audience development and keeping the Tate message fresh;
- the creation of a new programme of National Initiatives intended to develop the potential of Tate's role as the national museum of British and international modern and contemporary art. In short, the ambition is to do more to take existing Tate programmes out into the UK, to work in partnership to generate new programmes and audiences for the visual arts and to use Tate's influence to promote the cause of the visual arts in the UK. Ambitious development plans for Tate Liverpool and Tate St Ives form a part of this programme, including Tate Liverpool's part in 2008 and Tate St Ives' contribution to the development of a regional centre of excellence for the visual arts.

The following supporting strategies underpin this ambitious development plan:

- a number of building projects, alongside plans for Tate Modern 2 and the National Art Collection Centre, to ensure that Tate is best able to fulfil standards of visitor service and to maximise the impact of its display, exhibition, education and interpretation programmes. Notable among these include plans to improve inadequate public facilities, to develop a fit-for-purpose education centre, to make good dilapidations and improve environmental controls at Tate Britain. A major effort will also be absorbed by maintaining all buildings in appropriate conditions and bringing staff accommodation up to standard;
- an ambitious fundraising programme;
- building on the strengths of the people who work for Tate, ensuring we are resourced for the future and can continue to attract the highest calibre staff:
 - listening to and acting on the feedback from the Tate Employee Survey - 2006;
 - investing in leadership and management development;
 - developing the range and depth of the learning and development opportunities for staff at Tate;
 - building on performance and development planning for all staff;
 - supporting change management processes across Tate to improve performance and delivery;
- ensuring efficiency and effectiveness through appropriate investment in technology, sound financial management and further process improvement;
- generating more money through Tate Enterprises, Tate Catering and Tate Media, in particular through the exploitation of intellectual property as well as physical assets and creative ideas.

Realising this bold ambition depends on the professionalism, hard work, commitment and creative energy of everyone who works for Tate, many of whom are recognised as exceptional in their field.

Employee involvement and disabled persons

Tate is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974. As a Non-Departmental Public Body, Tate follows policy issued by the Cabinet Office on the employment of disabled people.

In summary, Tate is committed to equal opportunities for all its employees and potential employees, including people with disabilities, and applies its equal opportunities policy to recruitment and selection, training and development and promotion. It has a positive attitude towards employing disabled people and is committed to considering applicants solely on the basis of ability to do the job. Tate will give consideration, as far as practicable, to making training, equipment and other facilities available in order to assist employees or potential employees with disabilities to become fully effective in their employment at Tate.

Directors achieve communications with their staff through: a Tate Staff Council, comprising elected employee representatives, union representatives and management; Health and Safety Committees; divisional briefings; departmental meetings; informal meetings; the Tate Intranet.

Pay negotiations are conducted through a Tate Negotiating Committee at which the three unions – FDA, PCS and Prospect – represent staff interests at a single table.

Results for the year and financial position

The Consolidated Statement of Financial Activities on pages 20 and 21 shows total incoming resources of £101,484,000 (£97,621,000 in 2005-06). Of this amount £12,218,000 (£11,923,000 in 2005-06) was applied to the on-going capital programme and £13,620,000 (£13,455,000 in 2005-06) to Collection acquisitions. Of the remaining £75,646,000 (£72,243,000 in 2005-06), £75,440,000 (£71,964,000 in 2005-06) was used to fund ongoing operations in the year, with the remaining £206,000 (£279,000 in 2005-06) taken to general funds.

Reserves and funds carried forward of £467,627,000 (£447,537,000 in 2005-06) are:

	2007	2006
	£000	£000
Capital reserves	246,840	245,315
Works of art reserves	72,368	57,739
Revaluation reserve	116,711	111,684
Other restricted reserves	253	752
Designated reserves	19,823	20,782
Endowment funds	406	407
General reserve	11,226	10,858
	<u>467,627</u>	<u>447,537</u>

For more details, please refer to note 13.

Fixed assets

Tate has property holdings in London, Liverpool and St Ives.

The freeholds of the gallery and land at Millbank, London and the Barbara Hepworth Museum at St Ives, were transferred from the Secretary of State for the Environment to the Board of Trustees of the Tate Gallery on 14 December 1994. The Trustees hold the property on the Liverpool site on a long lease. Tate St Ives was constructed for and is owned by Cornwall County Council; the Board of Trustees of the Tate Gallery manages the gallery on behalf of Cornwall County Council. Tate Modern is held under a finance lease entered into in October 1998, the principal elements of which are described in note 17 to the accounts. The Trustees purchased the freehold of the Collection Store at Southwark on 31 March 1999.

Additions to fixed assets during the year of £22,085,000 (£19,468,000 in 2005-06) comprise: £14,805,000 of works of art; £4,798,000 in relation to buildings and leasehold improvements; £2,482,000 on plant and fit-out and other assets. Works of art include items donated, bequeathed or given in lieu of tax to Tate with an approximate value of £3,874,000 (£5,975,000 in 2005-06). All works of art acquired during the year have been capitalised in accordance with the HM Treasury Financial Reporting Manual, as detailed in note 8.

In accordance with Treasury requirements, with the exception of assets in the course of construction, long leasehold, works of art and other assets, fixed assets are stated at modified historic cost in the accounts, being revalued annually using indices supplied by HM Treasury, when no formal revaluation is undertaken. A revaluation of the Trustees' property holdings was undertaken at 31 March 2004 by Drivers Jonas, independent property consultants. The revaluation was in accordance with the Royal Institution of Chartered Surveyors' "new Red Book", RICS Appraisal and Valuation Standards; this results in a revaluation reserve which currently amounts to £116,711,000.

Tate Modern is held under a finance lease and, in accordance with the HM Treasury Financial Reporting Manual, the asset is revalued annually based on the present value of Tate's current obligations under the lease; this equates to the commutation value of £135,611,000.

In March 2006 Tate was awarded a £7 million grant from the London Development Agency to facilitate the surrender by EDF Energy of the western half of the switch station to the south of Tate Modern, following its upgrade and replanting. This will enable Tate to bring the site of the derelict and unoccupied oil tanks, together with the western end of the switch house, into public use. Herzog and de Meuron have been appointed to develop a design for a new building in this location with the objective to improve and extend visitor education and gallery facilities.

Subsidiary undertakings

The results of Tate's trading subsidiary are summarised in note 9 to the financial statements, together with other consolidated companies.

Collection fund

In 1995, following the theft of two works by JMW Turner while on display in Germany, Tate received £24,000,000 of insurance proceeds.

In February 1999 the Trustees took the view that stolen works do normally reappear and therefore purchased title to the stolen paintings from the insurers at a price significantly below the original £24,000,000 of proceeds. The purchase guaranteed that the works would be restored to the Turner Bequest should they re-emerge.

In December 2002, the paintings were restored to the Turner Bequest. During 2004-05 the Charity Commission agreed that the remaining funds were available for the general purposes of Tate and that Tate Trustees were free to use the funds for the benefit of the Collection as a whole.

The Trustees have taken the decision to designate the funds as the Collection Fund. On designation £10,000,000 was earmarked as a capital sum, the income from which will be used to purchase works of art to enhance the Collection. The balance of the fund will benefit the long-term care of the Collection including research, conservation, and improving access to Tate's Collection Store in Southwark.

Payment of creditors

Tate adheres to the Government-wide standard on the payment of creditors by aiming to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 2006-07 38% (38% in 2005-06) of invoices were settled in 30 days or less. Action has been taken to ensure the improvement of this statistic.

Reserves policy

The Trustees regularly review the reserves held. This review encompasses the nature of the income and expenditure streams, the need to match potentially variable income streams with largely fixed commitments and the nature of the reserves. The most recent review concluded that, in order to allow efficient financial management and to provide a buffer to give some assurance against interruption to the charitable activities, a general reserve equivalent to two months' worth of charitable expenditure should be maintained. Also, because of the planned substantial capital projects, an additional element of reserve of £3,000,000 should be held. At the year end the general reserve was £11,226,000, equivalent to 7.5 weeks' worth of charitable expenditure, after allowing for a £3,000,000 capital expenditure reserve. All other reserves are maintained at a level appropriate for their intended purpose.

Investments

The Trustees' investment policy is governed by the Trustees Act 2000 and its objective is to sustain fund growth at a level equal to or above inflation using a 'medium risk' investment strategy and generating an annual real rate of return of 5%. This objective is achieved by investing through third party investment managers, who advise on the investment strategy required to meet the objective. Restricted funds and permanent endowments have been invested in accordance with the Trustees' investment policy. During the year the investments generated a nominal return of 3.8%. The investment policy is reviewed on an annual basis.

Auditors

Tate's principal auditor is the Comptroller and Auditor General. The audit fee for the year ended 31 March 2007 is £36,800 (£33,600 in 2005-06).

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2007

Remuneration Report

Membership

The Trustee members of the Finance and Operations Committee act as the Remuneration Committee of the Board, advising on contractual terms and remuneration for the Director, Deputy Director and Divisional Directors on an annual basis. The members during the year were Helen Alexander, Victoria Barnsley, Sir Howard Davies and Paul Myners.

Policy on the remuneration of senior managers

Annual pay increases for those members of staff who come under the scope of the Committee are determined on the basis of an assessment of performance against agreed objectives and with reference to internal and external market comparisons.

All senior employees are members of the Civil Service Pension Scheme (CSPS) with associated redundancy and retirement conditions.

Policy on duration of contracts, notice periods and termination payments

Senior staff are permanent employees of Tate, apart from the Director who is on a fixed term contract expiring on 31 August 2009. Notice periods for senior employees are three or six months; for the Director, six months. Termination payments are in accordance with Tate contractual terms.

Director

The figures for the Director in the following paragraphs have been subject to audit.

The Director, Sir Nicholas Serota's total remuneration in 2006-07 including pension contributions amounted to £198,301, comprising £148,883 salary, £11,453 bonus and £37,965 pension contribution (£191,039 in 2005-06, comprising £143,157 salary, £12,665 bonus and £35,217 pension contributions).

The Director's current service contract commenced on 1 September 2002 and expires on 31 August 2009.

Director's pension disclosure	2007	2006 (restated)
	£	£
Real increase in pension	2,042	2,594
Real increase in lump sum	6,128	7,781
Pension at 31 March	49,055	45,379
Lump sum at 31 March	147,165	136,136
Cash equivalent transfer value at 31 March	1,158,000	1,121,000
Employee contributions and transfers-in	2,233	2,052
Real increase in cash equivalent transfer value as funded by employer	34,000	60,000

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 members' 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 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 CSPS arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any 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.

CETV figures for 2005-06 have been restated due to a change in the basis of calculation.

The real increase in CETV reflects the increase effectively funded by the employer. It takes account of 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.

As the Trustees and the Director exercise ultimate responsibility and authority for controlling the major activities of the entity, Tate has determined that additional disclosure of emoluments and pension entitlements is inappropriate.

The Board of Trustees of the Tate Gallery, who hold overall responsibility for Tate, are not remunerated. Expenses paid are disclosed in note 6 to the accounts.

Statement of Trustees' and Director's Responsibilities

Under Section 9(4) and (5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of account in the form and on the basis directed 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 Tate's financial activities during the year and of its financial position at the end of the year.

In preparing the Tate accounts the Board of Trustees is required to:

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for Tate. 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's Memorandum issued by the Treasury and published in Government Accounting.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charity's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2007

*A copy of which is available from: The Accounting Officer, Tate, Millbank, London SW1P 4RG.

Statement on Internal Control

1 Scope of responsibility

The Accounting Officer and Trustees have responsibility for maintaining a sound system of internal control that supports the achievement of Tate's policies, aims and objectives, under the authority of the Board of Trustees, whilst safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities prescribed in Government Accounting, and ensuring compliance with the requirements of the Financial Memorandum.

2 The purpose of the system of internal control

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

3 Capacity to handle risk

Risk management is implicit in Tate systems and procedures. Risk is regularly considered and discussed at Director's Group meetings and appropriate action taken as necessary. Risk is discussed and reviewed by the Audit Committee, an advisory body consisting of three Trustees and two co-opted members, which met three times in the year. Risk is also regularly discussed and acted upon where necessary at a department head level.

4 The risk environment

The most significant risks facing Tate, as detailed in the risk register fall under four headings: financial, operational, regulatory and external. Measures have been put in place to mitigate these risks. The management of risk is embedded in policymaking, planning and delivery.

In Tate the main processes in place for identifying, evaluating, and managing risk are:

- to ensure that risk identification is an integral part of the annual planning and budgeting process with risks linked to objectives;
- the forward plan, including the most significant risks, is reviewed and approved by the Trustees;
- performance against budget and objectives is regularly reviewed by the Trustees;
- key performance indicators are included in internal reports and regularly reviewed by Trustees;
- clearly defined capital investment control guidelines and formal project control disciplines.

The Director's group consider risk when assessing any major project and formally review significant risks before they are reviewed by the Audit Committee. The significant risks have all been assessed and scored for impact and probability, and a mitigation policy has been formulated taking into consideration risk appetite.

5 Review of effectiveness

The Accounting Officer and Trustees also have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within Tate who have responsibility for the development and maintenance of the internal control framework. Comments made by the external auditors in their management letter and other reports are also taken into account.

The Accounting Officer and Trustees have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board and the Audit Committee.

The Board of Trustees has contracted the internal audit service, which operates to standards defined in the Government Internal Audit Standards, to AHL Limited. The work of the internal auditors is informed by an analysis of the risk to which the organisation is exposed, and annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Accounting Officer and Trustees. At least annually, the auditors provide a report on internal audit activity in Tate. The report includes the auditor's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

The system of internal control has been in place in Tate for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

Sir Nicholas Serota
Director and Accounting Officer, Tate

Paul Myners
Chairman, Tate

July 2007

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 Tate for the year ended 31 March 2007 under the Museums and Galleries Act 1992. These comprise the consolidated statement of financial activities, the consolidated balance sheet and Tate balance sheet, the consolidated 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 been 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, 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 Parliamentary grant (Grant in Aid). These responsibilities are set out in the statement 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, certain information given in the Trustees' Report, which comprises the annual report, the foreword and the remuneration report, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

I read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. 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 opinion

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 judgements 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 Tate and the group'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 expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture, Media and Sport's directions made thereunder, of the state of Tate and the group's affairs as at 31 March 2007 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture, Media and Sport's directions made thereunder; and
- information given within the Trustees' report, which comprises the annual report, foreword and remuneration report, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects, the expenditure and income 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.

John Bourn
Comptroller and Auditor General

17 July 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Consolidated Statement of Financial Activities for the year ended 31 March 2007

	Notes	Income and Expenditure			Capital		
		2006-07 Un- restricted funds £000	2006-07 Restricted funds £000	2006-07 Total funds £000	2006-07 Un- restricted funds £000	2006-07 Restricted funds £000	2006-07 Total funds £000
Incoming Resources							
<i>Incoming resources from generated funds</i>	2						
Voluntary income							
– Donated works of art		–	–	–	–	–	
– Other voluntary income		2,504	1,267	3,771	–	3,000	
Activities for generating funds							
– Trading income	9	25,274	–	25,274	504	504	
– Other activities for generating funds		6,265	–	6,265	–	–	
Investment income	3	1,805	5	1,810	–	5,264	
<i>Incoming resources from charitable activities</i>	4						
– Grant in Aid		30,724	–	30,724	3,250	150	
– Other income from charitable activities		7,225	–	7,225	–	50	
<i>Other incoming resources</i>		577	–	577	–	–	
Total incoming resources		74,374	1,272	75,646	3,754	8,464	
Resources expended	6						
<i>Costs of generating funds</i>							
Costs of generating voluntary income		1,709	1,385	3,094	26	5	
Fundraising trading: cost of goods sold and other costs							
– Trading costs		22,938	–	22,938	403	–	
– Other costs of generating funds		2,494	–	2,494	18	4	
Investment management costs		12	–	12	–	–	
<i>Charitable activities</i>		45,737	–	45,737	1,176	10,322	
<i>Governance costs</i>		587	–	587	–	1	
<i>Other resources expended</i>		578	–	578	–	–	
Total resources expended		74,055	1,385	75,440	1,623	10,332	
Net incoming/(outgoing) resources before notional costs	5	319	(113)	206	2,131	(1,868)	
Cost of capital	7	–	–	–	(6,957)	–	
Net incoming/(outgoing) resources after notional costs		319	(113)	206	(4,826)	(1,868)	
Reversal of notional costs		–	–	–	6,957	–	
Net incoming/(outgoing) resources before transfers		319	(113)	206	2,131	(1,868)	
Transfers between funds	13	49	100	149	(39)	422	
Net incoming/(outgoing) resources after transfers		368	(13)	355	2,092	(1,446)	
Gain on investment assets		–	(1)	(1)	–	–	
Gain on revaluation of tangible fixed assets		–	–	–	184	5,722	
Net movement of funds		368	(14)	354	2,276	4,276	
Funds brought forward at 1 April 2006	13	10,858	161	11,019	22,095	334,904	
Funds carried forward at 31 March 2007		11,226	147	11,373	24,371	339,180	

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

The notes on pages 25 to 40 form part of the accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2007 *(continued)*

2006-07 Un- restricted funds £000	Collections		2006-07 Un- restricted funds £000	Total			2005-06 Total funds £000
	2006-07 Restricted funds £000	2006-07 Total funds £000		2006-07 Restricted funds £000	2006-07 Endowment funds £000	2006-07 Total funds £000	
–	3,874	3,874	–	3,874	–	3,874	5,975
404	7,055	7,459	2,908	11,322	–	14,230	10,671
1,702	–	1,702	27,480	–	–	27,480	25,515
–	–	–	6,265	–	–	6,265	6,589
557	28	585	2,362	5,297	–	7,659	7,385
–	–	–	33,974	150	–	34,124	31,799
–	–	–	7,225	50	–	7,275	9,027
–	–	–	577	–	–	577	660
2,663	10,957	13,620	80,791	20,693	–	101,484	97,621
–	43	43	1,735	1,433	–	3,168	3,206
–	–	–	23,341	–	–	23,341	21,802
–	–	–	2,512	4	–	2,516	2,359
31	1	32	43	1	–	44	43
–	–	–	46,913	10,322	–	57,235	55,221
4	–	4	591	1	–	592	568
–	–	–	578	–	–	578	553
35	44	79	75,713	11,761	–	87,474	83,752
2,628	10,913	13,541	5,078	8,932	–	14,010	13,869
–	–	–	(6,957)	–	–	(6,957)	(6,596)
2,628	10,913	13,541	(1,879)	8,932	–	7,053	7,273
–	–	–	6,957	–	–	6,957	6,596
2,628	10,913	13,541	5,078	8,932	–	14,010	13,869
(2,032)	1,500	(532)	(2,022)	2,022	–	–	(27)
596	12,413	13,009	3,056	10,954	–	14,010	13,842
176	–	176	176	(1)	(1)	174	2,554
–	–	–	184	5,722	–	5,906	19,890
772	12,413	13,185	3,416	16,675	(1)	20,090	36,286
30,862	48,250	79,112	63,815	383,315	407	447,537	411,251
31,634	60,663	92,297	67,231	399,990	406	467,627	447,537

Consolidated Balance Sheet at 31 March 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	8	439,287	417,073
Investments	3	25,792	26,440
		465,079	443,513
Current assets			
Tate Modern security deposit	17	122,050	120,329
Tate Modern funds		8,529	8,420
Stocks	9	2,806	2,497
Debtors and prepayments	10	9,362	9,871
Cash and liquid resources		8,770	11,131
		151,517	152,248
Creditors: amounts falling due within one year	11	(16,912)	(18,655)
Net current assets		134,605	133,593
Total assets less current liabilities		599,684	577,106
Creditors: amounts falling due after more than one year	11	(132,057)	(129,569)
Total assets less liabilities		467,627	447,537
Represented by:			
Restricted reserves	13	399,990	383,315
Unrestricted reserves			
Designated	13	56,005	52,957
General	13	11,226	10,858
Total funds		467,221	447,130
Endowments	13	406	407
Total funds		467,627	447,537

The financial statements on pages 20 to 40 were approved and authorised for issue by the Trustees on:

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2007

The notes on pages 25 to 40 form part of the accounts

Tate Balance Sheet at 31 March 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	8	438,486	416,073
Investments	3	29,287	29,935
		467,773	446,008
Current assets			
Tate Modern security deposit	17	122,050	120,329
Tate Modern funds		8,529	8,420
Debtors and prepayments	10	11,141	11,741
Cash and liquid resources		5,052	7,451
		146,772	147,941
Creditors: amounts falling due within one year	11	(14,381)	(16,547)
Net current assets		132,391	131,394
Total assets less current liabilities		600,164	577,402
Creditors: amounts falling due after more than one year	11	(132,057)	(129,569)
Total assets less liabilities		468,107	447,833
Represented by:			
Restricted reserves		399,930	383,257
Unrestricted reserves			
Designated		55,204	51,957
General		12,567	12,212
Total funds		467,701	447,426
Endowments		406	407
Total funds		468,107	447,833

The financial statements on pages 20 to 40 were approved and authorised for issue by the Trustees on:

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2007

The notes on pages 25 to 40 form part of the accounts

Consolidated Cash Flow Statement for the year ended 31 March 2007

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities	15(i)	7,332	8,229
<i>Returns on investments and servicing of finance</i>			
Interest received		<u>7,437</u>	<u>7,389</u>
Net cash inflow from returns on investments and servicing of finance		7,437	7,389
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(16,121)	(11,720)
Purchase of investments		(9,649)	(5,893)
Proceeds from sale of investments		<u>10,464</u>	<u>3,716</u>
Net cash outflow from capital expenditure		(15,306)	(13,897)
Management of liquid resources	15(iii)	<u>1,101</u>	<u>(571)</u>
Increase in cash	15(iii)	<u>564</u>	<u>1,150</u>

The notes on pages 25 to 40 form part of the accounts

Notes to the Accounts

1 Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention as modified for the revaluation of certain fixed assets and the inclusion of investments at market value. The accounts comply with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (the SORP), applicable accounting standards and the Government Financial Reporting Manual (the FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

The accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport, with the approval of Treasury.

Basis of consolidation

The Tate financial statements consolidate the results of Tate and its wholly-owned subsidiaries Tate Enterprises Limited, Tate Gallery Publishing Limited and Tate Gallery Projects Limited. A separate statement of financial activities or income and expenditure account for Tate is not presented, as Tate has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of SORP 2005.

Incoming resources

Incoming resources are shown net of Value Added Tax. In general, income is accounted for on a receivable basis. The following accounting policies are applied to income:

Voluntary income:

Donated works of art are recognised as income based on an approximate value at the date of acceptance. Donation income, including lottery and grant income, is recognised as income when the conditions for its receipt have been met. Legacies are accounted for on receipt.

Activities for generating funds:

Sponsorship income is recognised as income when the conditions for its receipt have been met.

Investment income:

Dividend and interest income is recognised on a receivable basis.

Incoming resources from charitable activities:

Grant in Aid from the Department for Culture, Media and Sport is recognised on receipt.

Deferred income:

Incoming resources relating to the future provision of services are deferred until the services are provided and entitlement to the income is earned.

Resources expended

All expenditure is accounted for on an accruals basis and is classified on the following bases:

Costs of generating funds:

Comprises the costs associated with generating voluntary income, trading income and income raised from other activities.

Charitable activities:

Comprises the costs associated with the performance of gallery activities and operations, the costs of maintaining the Collection and the Tate Modern lease costs.

Governance costs:

Comprises the costs of staff involved in governance, as well as audit fees.

Support costs:

Comprises the costs of finance, human resources, information technology, estates and facilities and general administration and support. These costs are allocated to the various categories of expenditure based on the most appropriate method for each support department, as described in note 6.

The Collection

In accordance with FRS15 – Tangible Fixed Assets, additions to the Collection acquired 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 valuation is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine.

Fixed assets

The threshold for capitalisation of non-Collection fixed assets is as follows:

Tate	£5,000
Tate Enterprises Limited	£500

With the exception of assets in the course of construction, long leasehold, works of art and other assets, fixed assets are stated at modified historic cost. Revaluation of assets is undertaken on a periodic basis and material variations from historical cost are reflected in the balance sheet value and unrealised gains or losses are disclosed in the statement of financial activities. The cost of land and buildings includes interest and fees paid as a result of financing arrangements for assets in the course of construction.

With the exception of Collection items, depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected life. Following the last formal revaluation in March 2004, the useful economic lives of the tangible fixed assets have been revised to the following:

Land	– not depreciated
Finance leases	– term of lease
Buildings	– 50 to 100 years
Plant and fit-out	– 5 to 25 years
Other	– 2 to 10 years

Investments

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

Stock

Stock is stated at the lower of cost or net realisable value.

Cash and liquid resources

Funds placed on money market deposit for more than one day are defined as liquid resources. Funds held in cash or in current or call accounts are defined as cash.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end. Transactions in foreign currencies are translated at the rate ruling at the time of transaction. All exchange differences go to the statement of financial activities.

Finance and operating leases

Costs in relation to operating leases are charged to the statement of financial activities over the life of the lease.

The leasing agreement for Tate Modern (see note 17) transfers to the Trustees substantially all the benefits and risks of ownership of the asset and the asset is treated as though it has been purchased outright. The capital value of the leasing commitment is shown as obligations under finance leases. The asset is valued at the present value of Tate's current obligations under the lease, which equates to the commutation value.

Pensions

The Civil Service Pension Schemes (CSPS) are unfunded multi-employer defined benefit schemes, of which Tate is not able to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £2,866,000 were payable to the CSPS (2005-06 £2,528,000) at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. The schemes' Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £62,000 (£63,000 in 2005-06) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £128,000 (£122,000 in 2005-06), 0.8% of pensionable pay, were payable to the CSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension providers at the balance sheet date. There were no contributions prepaid at that date.

Past and present employees are covered by the provisions of the CSPS. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. Tate recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the CSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

Tate Enterprises Limited operates money purchase pension schemes provided by Norwich Union and Scottish Equitable. The assets of the schemes are held separately from those of the group in an independently administered fund. The amounts charged against profit represent the contributions payable to the schemes in respect of the accounting period. Pension contributions of £216,000 were made in the year (2005-06 £260,000).

Fund accounting

Tate maintains general, designated, restricted and endowment funds as set out in note 13.

Taxation

Tate has no sources of income liable to corporation tax and no provision has therefore been made. The taxable profits of Tate Enterprises Limited are paid to Tate under Gift Aid rules and no tax liability is expected for the year ending 31 March 2007.

2. Incoming resources from generated funds

Voluntary income

	2007	2006
	£000	£000
Donated works of art	3,874	5,975
Lottery and other public funding		
London Development Agency	2,500	1,500
Department for Culture, Media and Sport	146	225
Heritage Lottery Fund	500	1,606
Millennium Commission	–	81
New Opportunities Fund	–	28
European Regional Development Fund	59	–
South West Arts	7	19
Total Lottery and other public funding	3,212	3,459
Donations from connected charities	5,379	4,815
Other donations	5,639	2,397
	18,104	16,646
of which the following is taken to (see pages 20 and 21)		
Income and expenditure	3,771	3,745
Capital	3,000	2,233
Collections	11,333	10,668

Activities for generating funds	2007	2006
	£000	£000
Trading	27,480	25,515
Sponsorship	4,687	5,217
Other activities for generating funds	1,578	1,372
	<u>33,745</u>	<u>32,104</u>
of which the following is taken to (see pages 20 and 21)		
Income and expenditure	31,539	28,707
Capital	504	1,275
Collections	1,702	2,122

Included in Sponsorship income is £875,000 of barter advertising (£1,037,000 in 2005-06), computed at estimated cost value.

3. Investments and investment income

	2007	2006
	£000	£000
Bank interest	6,833	6,608
Income on quoted investments	826	777
	<u>7,659</u>	<u>7,385</u>
of which the following is taken to (see pages 20 and 21)		
Income and expenditure	1,810	948
Capital	5,264	5,827
Collections	585	610

Unrealised gains and losses are included in the statement of financial activities.

Investments total £25,792,000 (£26,440,000 in 2005-06).

	2006 Market value £000	Additions/ (disposals) in year £000	Realised and unrealised gains/(losses) £000	2007 Market value £000
Bank floating rate loan notes	5,004	–	–	5,004
Hedge funds	1,999	3,921	315	6,235
Investment portfolio:				
UK fixed interest	8,166	(1,807)	(306)	6,053
UK equities	6,900	(1,868)	270	5,302
Non-UK equities	4,196	(1,003)	(110)	3,083
UK money market deposits	175	(58)	(2)	115
Total	<u>26,440</u>	<u>(815)</u>	<u>167</u>	<u>25,792</u>

All investments are held in order to provide an investment return.

Included within Tate's investment balance is the whole of the issued share capital of Tate Enterprises Limited, Tate Gallery Publishing Limited and Tate Gallery Projects Limited (see note 9).

4. Incoming resources from charitable activities

	2007 £000	2006 £000
Grant in Aid	34,124	31,799
Admissions	5,627	6,795
Other incoming resources from charitable activities	1,648	2,232
	41,399	40,826
The following is taken to (see pages 20 and 21)		
Income and expenditure	37,949	38,288
Capital	3,450	2,537
Collections	–	1

5. Net incoming resources

are stated after charging:

	2007 £000	2006 £000
Auditors' remuneration		
Comptroller and Auditor General	38	33
Subsidiaries – audit	27	27
Subsidiaries – taxation advice	3	3
Taxation advice	38	38
Operating lease rentals		
Land and buildings	212	196
Vehicles and equipment	49	42
Depreciation	5,778	5,813
Loss/(profit) on foreign exchange transactions	43	(54)

6. Total resources expended

	Staff costs £000	Other direct costs £000	Support costs £000	Depreci- ation* £000	2007 Total £000	2006 Total (restated) £000
<i>Costs of generating funds</i>						
Costs of generating voluntary income	1,146	1,450	541	31	3,168	3,206
Fundraising trading: cost of goods sold and other costs						
– Trading costs	8,331	14,607	–	403	23,341	21,802
– Other fundraising costs	1,572	529	393	22	2,516	2,359
Investment management costs	–	32	12	–	44	43
<i>Charitable activities</i>						
– Gallery activities	8,558	12,790	9,581	4,599	35,528	32,773
– Gallery operations	5,464	966	1,402	299	8,131	7,584
– Collections	4,268	1,261	1,447	424	7,400	8,923
– Lease cost	–	6,176	–	–	6,176	5,941
<i>Total charitable activities</i>	18,290	21,193	12,430	5,322	57,235	55,221
<i>Governance costs</i>	465	88	39	–	592	568
<i>Other resources expended</i>	415	–	163	–	578	553
Total resources expended	30,219	37,899	13,578	5,778	87,474	83,752

Direct costs of charitable activities include £6,176,000 (£5,941,000 in 2005-06) relating to the finance lease payment, which is offset by interest earned on the Tate Modern Security Deposit.

*Includes any downward impact of asset revaluations, where applicable.

a) Support cost breakdown by activity

	Finance and Legal £000	Human resources £000	Information systems £000	Estates £000	Other £000	2007 Total £000	2006 Total (restated) £000
<i>Costs of generating funds</i>							
Costs of generating voluntary income	38	43	77	366	17	541	539
Fundraising trading: cost of goods sold and other costs							
– Other fundraising costs	28	31	56	266	12	393	417
Investment management costs	12	–	–	–	–	12	11
<i>Charitable activities</i>							
– Gallery activities	538	459	1,085	7,244	255	9,581	8,479
– Gallery operations	183	292	368	472	87	1,402	1,264
– Collections	157	234	315	667	74	1,447	1,464
<i>Total charitable activities</i>	878	985	1,768	8,383	416	12,430	11,207
<i>Governance costs</i>	39	–	–	–	–	39	42
<i>Other resources expended</i>	163	–	–	–	–	163	147
Total resources expended	1,158	1,059	1,901	9,015	445	13,578	12,363
Basis of allocation	expend- iture	Average FTE	expen- diture	depreciation charge	expend- iture	366	

b) Staff costs

	2007 £000	2006 £000
Wages and salaries	25,740	24,478
Pension costs	3,272	2,973
Social Security costs	2,015	1,923
Total employee costs	31,027	29,374
Agency staff costs	2,316	2,008
	33,343	31,382

In addition, £274,000 of staff costs relating to staff working exclusively on capital projects were capitalised in 2006-07 (£138,000 in 2005-06).

No employee received any taxable benefits in kind during the year.

The Chairman and other Trustees received no remuneration; Trustees received reimbursement of travel and subsistence expenses amounting to £520 in 2006-07 (£3,660 in 2005-06).

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

	2007	2006
	No.	No.
£60,000 – £64,999	2	1
£65,000 – £69,999	–	1
£70,000 – £74,999	–	2
£75,000 – £79,999	2	–
£80,000 – £84,999	1	5
£85,000 – £89,999	4	–
£95,000 – £99,999	1	1
£100,000 – £104,999	1	–
£155,000 – £159,999	–	1
£160,000 – £164,999	1	–

All twelve staff earning more than £60,000 are members of a defined benefit pension scheme.

The average number of full-time equivalent (FTE) staff during the year was 1,150 (1,157 in 2005-06). Included within this total are 11 FTE staff on temporary contracts (15 in 2005-06) and 32 FTE staff on fixed-term contracts (34 in 2005-06).

The breakdown of average FTE staff by occupational group was:

	2007	2006
	No.	No.
<i>Costs of generating funds</i>		
Costs of generating voluntary income	24	25
Fundraising trading: cost of goods sold and other costs		
– Trading	495	480
– Other	50	50
<i>Charitable activities</i>	559	580
<i>Governance costs</i>	5	5
<i>Other resources expended</i>	17	17
	1,150	1,157

One person retired early on ill-health grounds (one in 2005-06); the total additional accrued pension liabilities to CSPS in the year amounted to nil (nil in 2005-06).

7. Notional costs

Notional cost of capital is £6,957,000 (£6,596,000 in 2005-06), calculated as 3.5% of the average qualifying capital employed by Tate in the year.

8. Fixed assets

Group	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value at 1 April 2006	106,265	39,244	17,400	4,711	63,605	133,698	57,832	11,444	434,199
Additions at cost	–	–	–	4,798	1,700	–	14,805	782	22,085
Valuation of assets	1,236	447	203	–	759	1,913	–	–	4,558
Disposals	–	–	–	–	–	–	–	(74)	(74)
Value at 31 March 2007	107,501	39,691	17,603	9,509	66,064	135,611	72,637	12,152	460,768
Depreciation at 1 April 2006	–	1,708	743	–	5,055	–	–	9,620	17,126
Charge for the year	–	507	247	–	2,647	1,428	–	949	5,778
Valuation of assets	–	11	9	–	59	(1,428)	–	–	(1,349)
Disposals	–	–	–	–	–	–	–	(74)	(74)
Depreciation at 31 March 2007	–	2,226	999	–	7,761	–	–	10,495	21,481
Net book value at 31 March 2007	107,501	37,465	16,604	9,509	58,303	135,611	72,637	1,657	439,287
Net book value at 1 April 2006	106,265	37,536	16,657	4,711	58,550	133,698	57,832	1,824	417,073

Tate	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value at 1 April 2006	106,265	38,449	17,400	4,711	63,605	133,698	57,832	7,472	429,432
Additions at cost	-	-	-	4,798	1,700	-	14,805	578	21,881
Valuation of assets	1,236	447	203	-	759	1,913	-	-	4,558
Disposals	-	-	-	-	-	-	-	(74)	(74)
Value at 31 March 2007	107,501	38,896	17,603	9,509	66,064	135,611	72,637	7,976	455,797
Depreciation at 1 April 2006	-	963	743	-	5,055	-	-	6,598	13,359
Charge for the year	-	487	247	-	2,647	1,428	-	566	5,375
Valuation of assets	-	11	9	-	59	(1,428)	-	-	(1,349)
Disposals	-	-	-	-	-	-	-	(74)	(74)
Depreciation at 31 March 2007	-	1,461	999	-	7,761	-	-	7,090	17,311
Net book value at 31 March 2007	107,501	37,435	16,604	9,509	58,303	135,611	72,637	886	438,486
Net book value at 1 April 2006	106,265	37,486	16,657	4,711	58,550	133,698	57,832	874	416,073

In accordance with Treasury requirements, assets are stated at current cost in the accounts and indexed annually, using indices supplied by HM Treasury, when no formal revaluation is undertaken. Works of art are excluded from this requirement. A revaluation of the Trustees' property holdings was undertaken at 31 March 2004 by Drivers Jonas, a firm of independent property consultants. The revaluation was in accordance with the Royal Institution of Chartered Surveyors' "new Red Book", RICS Appraisal and Valuation Standards. Tate Modern is held under a finance lease and, in accordance with the HM Treasury Financial Reporting Manual, the asset is revalued annually based on the present value of Tate's current obligations under the lease; this equates to the commutation value of £135,611,000.

The financial effect of revaluing other fixed assets of £1,675,000 was considered to be immaterial and therefore they have been disclosed at their historical cost value.

The net book value at 31 March 2007 represents fixed assets for:

Group	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Charitable activities	107,501	37,435	16,604	9,509	58,303	135,611	72,637	886	438,486
Other activities	-	30	-	-	-	-	-	771	801
	107,501	37,465	16,604	9,509	58,303	135,611	72,637	1,657	439,287

Tate's fixed assets are held to support charitable activities.

9. Subsidiaries

The Board of Trustees of the Tate Gallery owns the whole of the issued share capital of Tate Enterprises Limited (comprising 3,495,320 ordinary shares of £1 each), Tate Gallery Publishing Limited (comprising 100 ordinary shares of £1 each) and Tate Gallery Projects Limited (comprising 100 ordinary shares of £1 each).

Tate Enterprises Limited

Tate Enterprises Limited's principal activities comprise the management and operation of restaurant, café and ancillary services for the benefit of visitors to Tate's galleries, the publishing and sale of books and other products and merchandise associated with the Collection and Tate activities, and the provision of education services at all Tate sites.

The figures below are taken from the Tate Enterprises Limited accounts. The business comprises the publishing, retail, catering and education operations of Tate.

	2007	2006
	£000	£000
Fixed assets	801	1,000
Current assets	8,138	7,414
Current liabilities	(5,984)	(5,272)
Net assets	2,955	3,142
Capital and reserves	2,955	3,142
	2,955	3,142

Current assets include stock of £2,806,000, comprising: work in progress £125,000; finished goods and goods for resale £2,681,000 (£2,497,000, comprising: work in progress £144,000; finished goods and goods for resale £2,240,000; stock in transit £113,000 in 2005-06).

	2007	2006
	£000	£000
Turnover	29,576	26,622
Cost of sales	(15,943)	(14,230)
Gross profit	13,633	12,392
Other income	–	914
Administrative expenses	(10,606)	(10,412)
Trading profit	3,027	2,894
Interest receivable	154	177
Net contribution	3,181	3,071

The net contribution consists of £2,953,000 from publishing and retail operations and £1,871,000 from catering operations, before offsetting a deficit from education services of £1,643,000. Turnover includes £1,014,000 of sales to Tate. Administrative expenses include £484,000 of expenditure recharged by Tate.

Tate Gallery Publishing Limited

Tate Gallery Publishing Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. Tate Gallery Publishing Limited is a dormant company.

Tate Gallery Projects Limited

Tate Gallery Projects Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. Its principal activities consist of fund-raising and project management in respect of the Tate Modern Development project. Net assets have increased by £2,947 to £60,443 in the year.

10. Debtors

	Group		Tate	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade debtors	5,558	5,221	4,291	4,287
Amounts due from group companies	–	–	3,267	3,002
Amounts due from Central Government Accounts bodies	317	1,592	317	1,592
Other debtors	687	800	678	775
Prepayments and accrued income	2,800	2,258	2,588	2,085
	9,362	9,871	11,141	11,741

11. Creditors: amounts falling due within one year

	Group		Tate	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade creditors	3,766	4,693	2,654	3,519
Amounts due to group companies	–	–	309	297
Amounts due to Central Government Accounts bodies	415	125	415	125
Taxation and social security	1,086	1,032	466	441
Other creditors	1,010	1,500	777	1,303
Accruals	5,441	6,245	4,578	5,820
Deferred income	1,640	931	1,628	913
Obligations under finance lease (note 17)	3,554	4,129	3,554	4,129
	16,912	18,655	14,381	16,547

Creditors: amounts falling due after more than one year

	Group		Tate	
	2007	2006	2007	2006
	£000	£000	£000	£000
Obligations under finance lease (note 17)	132,057	129,569	132,057	129,569

Deferred income

	Group		Tate	
	2007	2006	2007	2006
	£000	£000	£000	£000
Deferred income brought forward	932	2,056	914	2,051
Released in year	(932)	(2,056)	(914)	(2,051)
Deferred in year	1,927	932	1,915	914
Deferred income carried forward	1,927	932	1,915	914

Income has been deferred to subsequent periods where that income is dependent on the achievement of specific performance.

12. Operating leases

At 31 March 2007 Tate had annual commitments under non-cancellable leases as follows:

	Land and	Other	2007	2006
	buildings		2007	2006
	£000	£000	£000	£000
Operating leases expiring within				
Two to five years	–	49	49	42
More than five years	212	–	212	196
	<u>212</u>	<u>49</u>	<u>261</u>	<u>238</u>

No other members of the Group hold operating leases.

13. Statement of funds

	Opening funds	Transfers	Income	Expenditure	Gain on investment/ revaluation	Closing funds
	£000	£000	£000	£000	£000	£000
Unrestricted						
<i>Designated</i>						
Works of art	10,080	–	1,731	–	–	11,811
Buildings and equipment	22,095	(39)	3,754	(1,623)	184	24,371
Collection fund	20,782	(2,032)	932	(35)	176	19,823
	<u>52,957</u>	<u>(2,071)</u>	<u>6,417</u>	<u>(1,658)</u>	<u>360</u>	<u>56,005</u>
<i>General funds</i>	10,858	49	74,374	(74,055)	–	11,226
Total unrestricted funds	63,815	(2,022)	80,791	(75,713)	360	67,231
Restricted						
Tate Modern development	111,462	–	5,264	(7,748)	24	109,002
Buildings and equipment	111,758	422	3,200	(2,584)	671	113,467
Revaluation reserve	111,684	–	–	–	5,027	116,711
Works of art	47,659	–	12,898	–	–	60,557
Acquisition trust funds	591	1,500	(1,941)	(44)	–	106
Other funds	161	100	1,272	(1,385)	(1)	147
	<u>383,315</u>	<u>2,022</u>	<u>20,693</u>	<u>(11,761)</u>	<u>5,721</u>	<u>399,990</u>
Endowments	407	–	–	–	(1)	406
Total funds	447,537	–	101,484	(87,474)	6,080	467,627

The accounts comprise a number of individual funds that divide into distinct categories, which are defined below.

Designated funds

Funds designated for a particular use by the Trustees.

Designated funds and the purpose for which their income may be applied are:

Works of art – funds applied towards the purchase of works of art for the Collection.

Buildings and equipment – funds applied towards the purchase of equipment and building works.

Collection fund – funds designated by the Trustees for the benefit of the Collection. On designation, £10,000,000 was earmarked as capital, the income from which amount will be used to purchase works of art. The balance of the fund will benefit the long-term care of the Collection including research, conservation and improving access to Tate's Collection Store in Southwark.

General funds

Funds available for general use.

Restricted funds

Funds restricted for particular purposes either by the wishes of the donor or by the nature of the fund-raising appeal.

Restricted funds and the purpose for which their income may be applied are:

Tate Modern development – funds raised from the Millennium Commission, English Partnerships, Southwark Borough Council, private and corporate donors towards the redevelopment of Bankside Power Station as Tate Modern.

Buildings and equipment – the value of Tate's estate vested in the Board of Trustees by the Secretary of State for the Environment and adjusted for subsequent valuations and disposals; also, restricted funds, including money from lottery and other public sources, raised specifically for and applied to the purchase of equipment and building works.

Revaluation reserve – the reserve arising from the 5-yearly revaluation and the indexation of historical asset values to arrive at a modified historical cost. The reserve applies to both restricted and unrestricted assets, but all of the reserve is restricted.

Works of art – restricted funds, including money from the Heritage Lottery Fund, raised specifically for and applied to the purchase of works of art together with all donated works of art since 1 April 2001.

Acquisition trust funds – a number of restricted trust funds for the purchase of works of art for the Collection.

Knapping Fund – for the purchase for exhibition in England, Scotland and Wales of paintings in any medium, or sculpture, by artists of any nationality living at or within twenty five years of the time of purchase.

Abbott Bequest – for the purchase of pictures and drawings by D.G. Rossetti or his contemporaries.

Other restricted funds:

Shenkman Fund – to pay for commissions of works of art at Tate Modern Restaurant.

Other funds which were set up and utilised during the year as a result of donations received for specific purposes.

Endowment funds

Endowment funds are funds that the donor has stated are to be held as capital.

The endowment funds and the purpose for which their income may be applied are:

Gytha Trust – expendable endowment for purchases for the Collection. The capital portion of this endowment can be spent at the Trustees' discretion.

Evelyn, Lady Downshire's Fund - for the purchase of modern paintings. This endowment is a permanent endowment. The capital remains permanently intact and only the income can be spent.

14. Analysis of net assets between funds

Funds balances at 31 March 2007 are represented by:

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
Tangible fixed assets	36,182	403,105	–	439,287	417,073
Investments	25,188	198	406	25,792	26,440
Net current assets	5,861	128,744	–	134,605	133,593
Long term creditors	–	(132,057)	–	(132,057)	(129,569)
Total net assets	<u>67,231</u>	<u>399,990</u>	<u>406</u>	<u>467,627</u>	<u>447,537</u>

15. Cash flow information

(i) Reconciliation of operating surplus to net cash inflow from operating activities

	2007 £000	2006 £000
Net incoming resources	14,010	13,869
Investment income	(7,437)	(7,389)
Depreciation	5,778	5,813
Donations of works of art	(3,874)	(5,975)
(Increase)/decrease in stocks	(309)	21
(Increase)/decrease in debtors	509	(762)
(Decrease)/increase in creditors	(1,345)	2,652
Net cash inflow from operating activities	<u>7,332</u>	<u>8,229</u>

(ii) Reconciliation of net cash flow to movement in funds

	2007	2006
	£000	£000
Increase in cash in the year	564	1,150
Cash flow from management of liquid resources	(1,101)	571
Change in funds resulting from cash flows	(537)	1,721
Net funds at 1 April 2006	139,887	138,166
Net funds at 31 March 2007	139,350	139,887

(iii) Analysis of movement in funds

	2006	Cash flow	2007
	£000	£000	£000
Tate Modern security deposit	120,329	1,721	122,050
Tate Modern funds	8,420	109	8,529
Liquid resources	7,232	(2,931)	4,301
	135,981	(1,101)	134,880
Cash	3,906	564	4,470
	<u>139,887</u>	<u>(537)</u>	<u>139,350</u>

Liquid resources comprise those funds that are held on deposit.

(iv) Material non-cash transactions

	2007	2006
	£000	£000
Donations of works of art	3,874	5,975

16. Capital commitments

	2007	2006
	£000	£000
Financial commitments were as follows:		
Capital expenditure contracted for, but not provided in the accounts	970	–
Acquisition of works of art contracted for, but not provided in the accounts	2,121	1,783

17. Tate Modern finance leasing structure

The Board of Trustees of the Tate Gallery (Tate) has entered into a finance lease arrangement for the development of Tate Modern at Bankside, the principal elements of which are described below.

Tate Gallery Projects Limited (TGPL) acquired the freehold of the site of Bankside Power Station in March 1996 for £11,439,000 with assistance from various sources including a substantial grant from the Urban Regeneration Agency; under the terms of this grant legal title to the property remained with Magnox Electric until the start of construction in August 1997 when title passed to TGPL.

TGPL is a wholly owned subsidiary of Tate and granted a 105-year head lease interest in the site of the Bankside Power Station to NatWest Markets Property Investments Limited (NWPIIL) on 28 October 1997 for a premium of £11,385,000.

NWPIIL commissioned TGPL to undertake the development of Bankside Power Station as the site of Tate Modern to a specification determined by Tate. The costs of construction were borne by TGPL and recovered from NWPIIL in accordance with an agreed payment schedule.

Tate entered into a 105-year lease of the site of Bankside Power Station from NWPIIL on 28 October 1997. Under the terms of the lease Tate commenced the payment of rent over a 35-year primary rental period on 1 October 2000. The level of rental payments takes account of NWPIIL's investment in the property and interest charges accruing thereto.

Under the terms of the lease, Tate is obliged to hold a cash sum equivalent to 90% of the present value of its future rental and interest obligations as security for the performance of these obligations. This sum is described as Tate Modern security deposit on pages 22 and 23 to the accounts and is subject to a charge in favour of NWPIIL. At the year end the deposit was £130,579,000 (2005-06 £128,749,000); 90% of the present value would be £122,050,000 (2005-06 £120,329,000).

The rental obligations to which Tate is committed are

	2007	2006
	£000	£000
In one year or less	3,554*	4,129*
Between one and two years	10,012	9,665
Between two and five years	32,245	31,128
Over five years	420,506	430,725
	<u>466,317</u>	<u>475,647</u>

*restated to reflect current interest rates

The Tate Modern security deposit is financed by donations to the Tate Modern project from, inter alia, the Millennium Commission, the Urban Regeneration Agency ('English Partnerships'), and a number of private sector donors.

The finance lease structure secured a number of benefits to the project including improved project cash flow and the recovery of all input VAT on development expenditure.

As at 31 March 2007 £120,650,000 (£120,650,000 in 2005-06) has been capitalised in respect of the Tate Modern development; this has been revalued to £135,611,000 in 2006-07 to reflect the present value of Tate's obligations under the lease (£133,698,000 in 2005-06). Depreciation is provided over the remaining term of the lease, which stands at 95 years at the end of 2006-07. During the year the lease finance charge was £6,176,000 (£5,941,000 in 2005-06).

Tate will meet these obligations out of revenue including interest accruing to the Tate Modern security deposit. The lease agreement includes options to commute future rental obligations at various points in the primary rental period.

18. Contingent liabilities

London Development Agency grant

In March 2006 Tate was awarded a grant of up to £7 million from the London Development Agency (LDA) to facilitate the surrender by EDF Energy of the western half of the switch station to the south of Tate Modern, following its upgrade and replanting. This will enable Tate to bring the site of the derelict and unoccupied oil tanks, together with the western end of the switch house, into public use as part of a further development at Tate Modern. The grant will be utilised to reimburse EDF Energy for the costs of the works required to free the land for surrender.

The grant is payable in instalments (the first £1.5 million in 2005-06) and is conditional on Tate meeting set criteria by certain dates. As part of the agreement the LDA has taken a charge over part of the Tate Modern site. If the criteria are not met the grant must be repaid or the land subject to the charge passed over to the LDA. The key criteria are that Tate must obtain planning consent for the development by 30 June 2009 and the work must be completed by 31 December 2016.

There are no other contingent liabilities.

19. Related party transactions

Tate is a Non-Departmental Public Body whose parent department is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year, Tate had a number of transactions in the normal course of business and at full arms length with the Department.

Tate received grants from the Heritage Lottery Fund, the lottery body administered by the National Heritage Memorial Fund (NHMF).

The National Gallery and Tate Boards have an agreement, reached in 1997 and renewed in 2002, that the dividing line of the National Gallery's and Tate's responsibilities in respect of the scope of their Collections of Foreign art should be circa 1900. Accordingly a group of works has been lent by Tate to the National Gallery and vice versa.

Tate has loaned works of art to the following organisations during the financial year 2006-07, which have the Department for Culture, Media and Sport as a parent Department:

- British Museum
- English Heritage (Kenwood House; Ranger's House, Blackheath)
- Geffrye Museum
- Imperial War Museum
- National Gallery
- National Museums Liverpool
- National Portrait Gallery
- Sir John Soane's Museum
- Victoria & Albert Museum

Tate has borrowed works of art from the following organisations during the financial year 2006-07, which have the Department for Culture, Media and Sport as a parent Department:

- Arts Council England
- British Library
- British Museum
- English Heritage
- Imperial War Museum
- Museum of London
- National Gallery
- National Museum of Science and Industry
- National Museums Liverpool
- National Portrait Gallery
- Sir John Soane's Museum
- Victoria & Albert Museum

As well as being Trustees of Tate: Victoria Barnsley is a Trustee of the National Gallery; Patricia Lankester is a consultant to the Heritage Lottery Fund; Professor Jennifer Latto is chairperson of the Heritage Lottery Fund CW Committee; Jon Snow is a Trustee of the National Gallery; John Studzinski retired as a Trustee of Sir John Soane's Museum in 2006.

20. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks Tate faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet date have been omitted from this note.

Liquidity risk

Tate does not make use of long-term debt or borrowing facilities, with the exception of the Tate Modern finance lease. As a result it is not exposed to significant liquidity risks.

Interest rate risk

Tate has long term financial liabilities in respect of the finance lease for Tate Modern, the details of which are set out in note 17.

As at 31 March 2007, Tate held £17,299,000 (2005-06 £19,551,000) in cash and bank deposits, £806,000 (2005-06 £2,145,000) of which was invested at the Office of the Paymaster General, £14,905,000 (2005-06 £15,833,000) of which was invested at floating rates, the remaining £1,588,000 (2005-06 £1,573,000) was held in cash and non-interest-bearing accounts. Tate is therefore not exposed to significant interest rate risk.

Foreign currency risk

Tate's exposure to foreign currency risk is not significant.

21. Post balance sheet events

There are no material post balance sheet events.

The annual report and accounts were approved by the Trustees on 11 July 2007 and authorised for issue on 19 July 2007.



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