

MUSEUMS AND GALLERIES ACT 1992

Accounts, prepared pursuant to c.44 para 9(8) of the Museums and Galleries Act 1992, of the Tate Gallery for the year ended 31 March 2001, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 912 of 1999–2000)

Presented pursuant to Act 1992, c.44, para 9(8)

Tate Gallery Account 2000–01

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 15 OCTOBER 2001

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Trustees and Advisers

Membership of the Board of Trustees

David Verey (Chairman)
Professor Dawn Ades
Victoria Barnsley
The Hon Mrs Janet de Botton
Sir Richard Carew Pole
Peter Doig (retired November 2000)
Professor Jennifer Latto
Sir Christopher Mallaby
Chris Ofili (appointed November 2000)
Jon Snow
John Studzinski
Gillian Wearing
Bill Woodrow

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

Tate
Millbank
London
SW1P 4RG

Auditors

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers

Coutts & Co
St Martin's Office
440 Strand
London
WC2R 0QS

Solicitors

Bates, Wells & Braithwaite
Cheapside House
123 Cheapside
London
EC2V 6BB

Linklaters

1 Silk Street
London
EC2Y 8HQ

Foreword and Annual Report

Statutory 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The Museums and Galleries Act 1992, which repealed the 1954 Act, established the Board of Trustees of the Tate Gallery as a corporate body and added it to the list of exempt charities under the 1960 Charities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.

Organisation and Structure

Tate is managed by a corporate body known as the Board of Trustees of the Tate Gallery, comprising twelve members, of whom one is appointed by the National Gallery Board of Trustees from among members of that Board, whilst the remainder are appointed by the Prime Minister. The Board elects the Chairman and at least three members of the Board must be practising artists. The maximum term of appointment is five years, although members may be re-appointed.

The Trustees are listed on page 3. The Board has a number of formal sub-committees:

- The Finance & Audit Committee (Sir Christopher Mallaby (Chair), David Verey, John Studzinski and Victoria Barnsley).
- In October 1997 the Trustees appointed KPMG to provide internal audit services to the Tate; the internal auditors report to the Trustees via the Finance and Audit Committee.
- Estates Committee (James Joll (Chair), David Verey and one co-opted member, Stuart Lipton). This is a limited life committee set up to provide Tate with guidance in arriving at an estate strategy for the long term.
- Tate Councils

Tate Liverpool Council (Jennifer Latto (Chair), Bill Woodrow and ten further co-opted members)

Tate St Ives Council (Sir Richard Carew Pole (Chair) and fourteen co-opted members)

Tate Modern Council (the Hon Mrs Janet de Botton (Chair), Dawn Ades, Bill Woodrow and nine further co-opted members)

Tate Britain Council (Sir Richard Carew Pole (Chair), Sir Christopher Mallaby, Peter Doig, Gillian Wearing and eight further co-opted members)

The Tate Councils are non-executive sub-committees whose purpose is to provide Tate with advice and guidance on programme issues.

The Tate Director is appointed by the Board of Trustees with the approval of the Prime Minister 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 2001 the Director's Group comprised:

Nicholas Serota	Director
Alex Beard	Director of Business Strategy
Susan Daniel McElroy	Curator of Tate St Ives
Stephen Deuchar	Director of Tate Britain
Jim France	Director of Collection and Research Services
Christoph Grunenberg	Director of Tate Liverpool
Jeremy Lewison	Director of Collections
Sandy Nairne	Director of National Programmes
Lars Nittve	Director of Tate Modern
Andrea Nixon	Development Director
Damien Whitmore	Communications Director
Sian Williams	Director of Finance and Resources
Peter Wilson	Director of Buildings and Gallery Services

Subsidiary undertakings

The results of the Tate's subsidiary companies are summarised in Note 9 to the financial statements.

Connected Charities

The Tate Gallery Foundation is a charity connected with Tate. Its principal address is Tate, Millbank, London SW1P 4RG.

The Foundation seeks to promote the charitable purposes of Tate.

During the year the Foundation made donations to Tate of £699,288 (£425,030 in 1999-2000). The balance of funds held by the Foundation at 31 March 2001 was £5,900,465 (£4,799,694 in 1999-2000).

Aims, goals and values

Aims

Tate's overall aim is defined by the Museums and Galleries Act 1992, and interpreted as:

- to engage people with art (or to foster appreciation)
- to engage people with the meaning and experience of art (or to promote awareness and understanding)
- to improve people's confidence and familiarity with art (or to increase knowledge)

- to build relationships with artists and the wider community.

Within this, three key strands are:

- to do the things that are already done well, better
- to extend programmes and the experiences offered to visitors
- to reach more people through partnerships and publishing—on and offline.

Goals

Specifically, the seven key goals of Tate for the triennium are to:

- strengthen and extend Collections in dramatic ways
- present an innovative and authoritative range of exhibitions and other programmes, making full use of resources
- better serve existing visitors, broaden their social range and develop new audiences beyond the galleries through digital and other means
- improve present galleries and add new facilities to improve care of the collections and to accommodate new activities which contribute to the life of the community
- create new partnerships in order to reach new audiences and to strengthen Tate's financial position
- give a greater sense of ownership and involvement to all visitors, Friends, supporters and associates
- make more effective use of resources by working effectively, increase the diversity of staff and improve working conditions and job satisfaction.

Values

Tate's future success depends on the ability to make the very most of existing resources:

- improving internal collaboration and sharing expertise
- maximising the use of physical assets, and most importantly, the collections and the estate
- developing audiences by building audience loyalty and by seeking broader audiences
- making the most of external partnerships and collaborations
- using the Tate name to increase reach and generate revenue

- using Tate's influence for the benefit of the communities in which each gallery is located.

The federal structure of Tate is an essential ingredient of these ambitions. As one Tate it is necessary to guard against bureaucracy, but the following benefits are enjoyed:

- shared risk, which protects and gives space to experiment
- shared knowledge, information and expertise
- shared collections
- greater external impact of individual programmes
- efficiency from common systems and procedures
- economies of scale.

Most importantly, one Tate encourages learning from experience and enables one shared approach. Looking outward, this approach can be characterised by programmes not defined solely by content or by excellence of presentation but by a point of view intended to inform, challenge and inspire audiences, reflecting Tate's role as a leading originator and centre of ideas and scholarship about art. This approach underpins all Tate's activity and is at the foundation of its developing role worldwide.

Internally, the shared approach defines the way in which Tate staff work together. The promotion of teamwork and mutual respect is critical to Tate's future success. The ability to respond to the opportunities ahead depends on people working together: treating each other fairly, respecting difference, providing opportunities for growth and self-expression, developing skills, rewarding progress and celebrating excellence.

There have been no significant changes in policy since the last accounts.

Review of 2000–2001

Achievements during 2000–2001 include:

- The successful opening of Tate Modern in May 2000 to worldwide critical acclaim.
- 6,733,691 people visited the galleries in London, Liverpool and St Ives during the 2000–01 financial year.
- A popular and critically acclaimed public programme including the Ruskin, Turner & Pre-Raphaelites, Intelligence, Blake and Turner Prize exhibitions at Tate Britain and the Cragg and Gordon exhibitions at Tate Liverpool. In its first year of opening, Tate Modern also staged the Between Cinema & A Hard Place and Century City exhibitions.

- The success of the Tate Website providing information and images from the Collection as well as links to the activities of each gallery. The site attracts around 1,100,000 visits per year.
- Key acquisitions through gift, bequest and purchase including important works by Paul Nash, Man Ray, David Smith, John Singer Sargent, Rebecca Horn and Roy Lichtenstein.

Future developments

Key priorities in achieving Tate's aims, goals and values in the near future are:

- The opening of Tate Centenary Development at Millbank and the launch of Tate Britain in Autumn 2001 and delivery of the first full programme of Tate Britain displays within the new extended galleries and major access improvements.
- The ongoing initiation of several pilot projects across Tate sites, that extend the scope of work shown in exhibitions and displays beyond Tate's collecting remit into film, architecture, caricature and so on.
- The development of a range of ongoing collaborative ventures with other organisations to improve the quality and range of programmes initiated by Tate, including education and interpretation.
- The launch of a new Library and Archive reading room and store, planned in Spring 2002.
- The implementation of a centrally driven Audience Development initiative in Autumn 2001.
- The launch of an International Programme of exhibitions drawn from Tate collections
- The continuation of Tate's programme of digitisation to make more collections information available on the Tate website and further development of Tate website.
- The creation of an estates strategy which maximises utilisation of the existing estate.
- The renewal of an IT strategy for Tate that focuses on achieving best value from a range of systems introduced over the past five years, including a new Collections Management System
- The extension of Tate retail and catering facilities.

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.

Directors achieve communications with their staff through a Tate Consultative Council comprising elected employee representatives, union representatives and management, Health and Safety Committees as well as departmental meetings, informal meetings, Office Notices, internal memoranda and the Tate Intranet.

Pay negotiations are conducted through a Tate Negotiating Committee at which the four unions FDA, IPMS, CPSA and PTC represent staff interests at a single table.

Tate as a Non Departmental Public Body follows policy issued by the Cabinet Office on employment of disabled people.

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.

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 2000-01 71 per cent (58 per cent in 1999-2000) of invoices were settled in 30 days or less.

Financial Review

Presentation of the financial statements

The account have been prepared in accordance with the statement of recommended practice "Accounting for Charities" (the SORP) and in compliance with the Accounts Direction issued by the Department for Culture, Media and Sport.

The Consolidated Statement of Financial Activities set out on page 17 has been prepared in line with the SORP and shows incoming resources including income relating to capital projects. This income is not matched by capital expenditure, which is taken directly to tangible fixed assets. For this reason the Board of Trustees views the Consolidated Income and Expenditure Account as the primary financial statement for their purposes.

Results for the year and financial position

The Consolidated Income and Expenditure Account on page 16 shows an operating surplus on unrestricted funds of £56,000 (£361,000 in 1999-2000), and £112,000 on restricted funds (£30,000 deficit in 1999-2000), making a total of £168,000 for the year (£331,000 in 1999-2000).

The Consolidated Statement of Financial Activities on page 17 shows incoming resources of £85,683,000 (£78,356,000 in 1999-2000). Of this amount £24,508,000 (£36,039,000 in 1999-2000) was restricted to the on-going capital programme, £1,052,000 (£835,000 in 1999-2000) represents investment income on the insurance fund and £8,474,000 (£12,409,000 in 1999-2000) was applied to collection acquisitions. The £51,649,000 (£29,073,000 in 1999-2000) remaining was used to fund ongoing operations.

During the year works of art with an approximate value of £5,886,000 (£7,648,000 in 1999-2000) were donated, bequeathed or given in lieu of tax to Tate and £2,587,000 (£3,566,000 in 1999-2000) was spent directly on purchases of works of art. The costs of Collection acquisitions disclosed in the SOFA of £8,474,000 (£12,409,000 in 1999-2000) represents both donated and purchased works of art combined with an apportionment of salaries and overheads applied to this area of operation.

Funds carried forward of £278,058,000 (£269,424,000 in 1999-2000) can be analysed as follows:

	2001 £000	2000 £000
Capital reserves	238,017	232,695
Revaluation reserve	6,678	2,957
Restricted reserves	23,885	24,341
Endowments	424	433
General funds	9,054	8,998
	278,058	269,424

Performance Indicators

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

Indicator	Target	Actual
Visitor numbers ('000s)	5,000	6,734
Children as a percentage of total visitors	11%	13%
Repeat visitors as a percentage of total visitors	30%	37%
Visitors from C2, D & E Socio-Economic Groups as a percentage of total visitors	11%	15%
Participants in off-site programmes ('000s)	418	219
Learners in on-site programmes ('000s)	295	377
Learners in outreach programmes ('000s)	5	2
Website visits ('000s)	1,000	1,100
UK loan venues	65	83
Overseas loan venues	70	96
Percentage of time open	68%	71%
Percentage of collection internet accessible	75%	90%
Percentage of space at right environmental quality	90%	87%
Grant in aid as percentage of operating spend	68%	65%
Average number of days lost sick per employee	9.0	5.4

Fixed assets

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

The freehold 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 Fine Art Store at Southwark on 31 March 1999.

In accordance with Treasury requirements a valuation of the Trustees' property holdings, excluding works in progress at Tate Modern, was undertaken at 31 March 1999 by a firm of independent chartered surveyors. Where material the changes in value were reflected in the Balance Sheet and the Statement of Financial Activities. Assets are stated at current cost in the accounts and indexed annually when no formal valuation is undertaken; this results in a revaluation reserve which currently amounts to £6,678,000.

Additions to fixed assets of £8,413,000 (£57,104,000 in 1992-2000) reflect progress on: the development at Tate Britain £6,425,000; the box office system £260,000; the collections management system £252,000; the British Art information project £209,000. The remaining £1,267,000 represents investment in a number of IT projects and major repairs required to ensure the correct infrastructure exists to support the expanded Tate.

Insurance funds

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

Stolen works do normally reappear eventually so title to the stolen paintings was purchased from the insurers in February 1999 at a price significantly below the original £24 million of proceeds. The purchase guarantees that the works are restored to the Turner Bequest should they re-emerge while allowing the balance of funds to be utilised.

**Post balance sheet
events**

On 1 April 2001 the business activities of Tate Gallery Publishing Limited were transferred to Tate Enterprises Limited, a wholly owned subsidiary of Tate Gallery Publishing Limited.

Nicholas Serota
Director, Tate

11 July 2001

David Verey
Chairman of the Board of Trustees of the Tate Gallery

11 July 2001

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

Nicholas Serota
Director, Tate

11 July 2001

David Verey
Chairman of the Board of Trustees of the Tate Gallery

11 July 2001

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

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Board of Trustees.

The system can provide only reasonable and not absolute assurance that the assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Trustees;
- regular reviews by the Board of Trustees of periodic and annual financial reports, which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines;

The Board of Trustees has contracted out the internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the internal auditors is informed by an analysis of 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 Finance and Audit Committee and approved by me. At least annually, the auditors provide me with a report on internal audit activity in the body. The report includes the auditors' independent opinion on the adequacy and effectiveness of the system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Finance and Audit Committee which oversees the work of the internal auditors, the executive managers within the organisation who have responsibility for the development and maintenance of the financial control framework, and recommendations made by the external auditors in their management letter.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury requirement for a statement of internal control to be prepared for the year ended 31 March 2002.

Nicholas Serota
Director and Accounting Officer, Tate

11 July 2001

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

I certify that I have audited the financial statements on pages 16 to 35 under the Museums and Galleries Act 1992. These financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 21 to 22.

Respective responsibilities of the Trustees, the Director and Auditor

As described on page 13 the Trustees and the Director of the Tate Gallery as Accounting Officer are responsible for the preparation of financial statements in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder and for ensuring the regularity of financial transactions. The Trustees and the Director are also responsible for the preparation of the Foreword and Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report, if in my opinion, the Foreword and Annual Report on pages 4 to 12 is not consistent with the financial statements, if the Tate Gallery has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 14 reflects the Tate Gallery's compliance with the Treasury's guidance "Corporate Governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Tate Gallery's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income 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.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Tate Gallery and of the Group at 31 March 2001 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and with the directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn,
Comptroller and Auditor General

25 July 2001

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

Consolidated Summary Income and Expenditure Account for the year ended 31 March 2001

	Notes	Unrestricted Funds £000	Restricted Funds £000	2001 Total £000	2000 Total £000
Income					
Grant in aid	2	24,881	—	24,881	19,727
Lottery and other public funding	3	—	148	148	1,456
Admissions		2,271	—	2,271	1,888
Sponsorship and donations		3,239	1,342	4,581	2,759
Donations of works of art		—	5,886	5,886	7,648
Trading income	9	18,929	—	18,929	6,248
Other income		2,506	1	2,507	1,234
Investment income	4	887	33	920	522
		<u>52,713</u>	<u>7,410</u>	<u>60,123</u>	<u>41,482</u>
Expenditure	6				
Collection acquisitions		2,083	6,391	8,474	12,409
Other operating costs		50,574	907	51,481	28,742
		<u>52,657</u>	<u>7,298</u>	<u>59,955</u>	<u>41,151</u>
Operating surplus/(deficit)		<u>56</u>	<u>112</u>	<u>168</u>	<u>331</u>

Note-
Contributions of Capital and Insurance Income
For the year ended 31 March 2001

	Notes	Unrestricted Funds £000	Restricted Funds £000	1999 Total £000	1998 Total £000
Income applied to capital projects					
Lottery and other public funding	3	—	3,780	3,780	15,244
Sponsorship and donations		—	12,556	12,556	12,705
Other income		—	15	15	11
Trading income	9	1,348	—	1,348	1,955
Investment income	4	—	6,809	6,809	6,124
Total income applied to capital projects		<u>1,348</u>	<u>23,160</u>	<u>24,508</u>	<u>36,039</u>
Tate Modern Lease Payment		—	(6,143)	(6,143)	—
Depreciation	5	(916)	(3,454)	(4,370)	(1,515)
Exceptional item	5	—	(8,673)	(8,673)	—
Net capital income		<u>432</u>	<u>4,890</u>	<u>5,322</u>	<u>34,524</u>

The notes on pages 21 to 35 form part of the accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2001

	Notes	Unrestricted Funds £000	Restricted Funds £000	2001 Total £000	2000 Total £000
Incoming resources					
Grant in aid	2	24,881	—	24,881	19,727
Lottery and other public funding	3	—	3,928	3,928	16,700
Admissions		2,271	—	2,271	1,888
Sponsorship and donations		3,239	13,898	17,137	15,464
Donations of works of art		—	5,886	5,886	7,648
Trading income	9	20,277	—	20,277	8,203
Other income		2,506	16	2,522	1,245
Investment income	4	887	7,894	8,781	7,481
Total incoming resources		54,061	31,622	85,683	78,356
Resources expended	6				
<i>Direct charitable expenditure</i>					
Collection acquisitions		2,083	6,391	8,474	12,409
Collection purchases, care and enhancement		4,453	1,803	6,256	3,423
Public programme					
Tate Britain		10,035	681	10,716	11,988
Tate Modern		11,662	9,013	20,675	—
Tate Liverpool		3,161	191	3,352	3,613
Tate St Ives		1,239	24	1,263	1,057
National Programme		657	74	731	187
		33,290	18,177	51,467	32,677
<i>Other expenditure</i>					
Fund-raising and publicity		2,269	139	2,408	1,634
Trading costs	9	16,593	—	16,593	6,675
Management and administration		1,421	199	1,620	1,949
Exceptional items	5	—	8,673	8,673	—
		20,283	9,011	29,294	10,258
Total resources expended		53,573	27,188	80,761	42,935
Net incoming resources	5	488	4,434	4,922	35,421
Notional costs	7	(16,425)	—	(16,425)	(15,016)
Net incoming resources after notional costs		(15,937)	4,434	(11,503)	20,405
Reversal of notional costs		16,425	—	16,425	15,016
Net incoming resources		488	4,434	4,922	35,421
Gain/(loss) on investment assets		—	(9)	(9)	(49)
Modified historical cost of adjustment	5	—	3,721	3,721	2,957
Net movement of funds		488	8,146	8,634	38,329
Funds brought forward at 1 April 2000	13	22,640	246,784	269,424	231,095
Funds carried forward at 31 March 2001		23,128	254,930	278,058	269,424

This statement includes incoming resources relating to capital projects which are not matched by the application of resources to capital expenditure, which is taken directly to Fixed Assets (see note 8).

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 21 to 35 form part of the accounts.

Consolidated Balance Sheet at 31 March 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	8	264,170	257,381
Investments	4	435	444
		<u>264,605</u>	<u>257,825</u>
Current assets			
Tate Modern security deposit	17	110,738	108,585
Stocks		2,652	1,379
Debtors and prepayments	10	7,956	7,214
Cash and Liquid Resources		25,708	25,007
		<u>147,054</u>	<u>142,185</u>
Creditors: amounts falling due within one year	11	(16,543)	(13,778)
Net current assets		<u>130,511</u>	<u>128,407</u>
Total assets less current liabilities		395,116	386,232
Creditors: amount falling due after one year	11	(117,058)	(116,808)
Total assets less liabilities		<u>278,058</u>	<u>269,424</u>
Represented by:			
Income funds			
Restricted reserves	13	254,506	246,351
Unrestricted reserves			
Designated	13	14,074	13,642
General	13	9,054	8,998
Total income funds		<u>277,634</u>	<u>268,991</u>
Endowments	13	424	433
Total funds		<u>278,058</u>	<u>269,424</u>

The financial statements on pages 16 to 35 were approved by the Trustees on:

Nicholas Serota
Director, Tate

11 July 2001

David Verey
Chairman, Tate

11 July 2001

The notes on pages 21 to 35 form part of the accounts.

Tate Gallery Balance Sheet at 31 March 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	8	262,864	256,034
Investments		436	444
		<u>263,300</u>	<u>256,478</u>
Current assets			
Tate Modern security deposit	17	110,738	108,585
Debtors and prepayments	10	8,467	5,525
Cash and Liquid Resources		22,769	22,188
		<u>141,974</u>	<u>136,298</u>
Creditors: Amounts falling due within one year	11	(14,526)	(10,161)
Net current assets		<u>127,448</u>	<u>126,137</u>
Total assets less current liabilities		<u>390,748</u>	<u>382,615</u>
Creditors: amount falling due after one year	11	(117,058)	(116,808)
Total assets less liabilities		<u>273,690</u>	<u>265,807</u>
Represented by:			
Income funds			
Restricted reserves		253,612	245,445
Unrestricted reserves			
Designated		13,464	12,918
General		6,190	7,011
Total income funds		<u>273,266</u>	<u>265,374</u>
Endowments		<u>424</u>	<u>433</u>
Total funds		<u>273,690</u>	<u>265,807</u>

Nicholas Serota

Director, Tate

11 July 2001

David Verey

Chairman, Tate

11 July 2001

The notes on pages 21 to 35 form part of the accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2001

	Notes	2001 £000	2000 £000
Net cash inflow/(outflow) from operating activities	15	(1,244)	29,423
<i>Returns on investments and servicing of finance</i>			
Interest received		8,780	7,481
Proceeds from sale of investments		—	11,300
Net cash inflow from returns on investment and servicing of finance		8,780	18,781
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(4,682)	(41,734)
Net cash inflow/(outflow) from capital expenditure		(4,682)	(41,734)
Management of liquid resources	15(iii)	4,704	(7,296)
Increase/(Decrease) in cash		7,558	(826)

The notes on pages 21 to 35 form part of the accounts.

Notes to the Accounts

Accounting policies

1 Basis of accounting

The financial statements are prepared under the historical cost convention as modified for the revaluation of fixed assets and the inclusion of investments at market value. The accounts comply with the requirement of the Companies Act 1985, the Statement of Recommended Practice "Accounting by Charities" and applicable accounting standards.

Basis of Consolidation

The Tate accounts are a combination of the Grant-in-Aid and Tate Gallery Trust Funds, together with the accounts of Tate Gallery Publishing Limited and Tate Gallery Projects Limited.

Incoming resources

All income is accounted for on a receivable basis.

Grant-in-Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the income and expenditure account in the year to which it relates.

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

Donated works of art are recognised as income based on an approximate value at the date of receipt.

Expenditure

Expenditure is classified under the principal categories of charitable and other expenditure.

Charitable expenditure comprises direct expenditure including staff costs attributable to each area of Tate activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.

Other expenditure comprises fund-raising and publicity costs, being those costs incurred in seeking donations and sponsorships for the Tate activities, and management and administration costs, being those costs incurred in connection with the management of the Charity's assets, organisational administration and compliance with constitutional and statutory requirements.

The Collection

Acquisitions for the Collection are written off to the Statement of Financial Activities in the year of acquisition. In common with other National Museums and Galleries no amount is included for the Collection in the Balance Sheet.

Fixed assets

Tangible 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 Activity. The cost of land and buildings includes interest and fees paid as a result of financing arrangements for assets in the course of construction.

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 as follows:

Freehold buildings	—20 to 90 years
Leasehold buildings	—over the lease term
Building works	—10 to 40 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 Activity.

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.

Finance and operating leases

Costs in relation to operating leases are charged to the Statement of Financial Activity 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.

Pensions

The conditions of the Superannuation Act 1965 and 1972 apply to Tate staff. Contributions are made to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury, for 2000–01 the rates ranged from 12.0 per cent to 18.5 per cent (12.0 per cent to 18.5 per cent in 1999–2000) of pay.

Tate Gallery Publishing group operates a money purchase pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amounts charged against profit represents the contributions payable to the scheme in respect of the accounting period.

Grant-in-aid	2	Grant-in-aid of £24,881,000 has been received during the year (£19,727,000 in 1999-2000).	
		This money is available to fund running costs, capital improvements and Collections acquisitions and has been applied to running costs.	
Lottery and other public funding	3	2001 £000	2000 £000
		European Regional Development Fund	— 7
		Millennium Commission	200 3,310
		Arts Council of England	753 4,202
		London Borough of Southwark	38 711
		Heritage Lottery Fund	2,922 8,459
		Department for Education	— 11
		New Opportunities Funds	15 —
		3,928	16,700
		of which the following is taken to (see page 16)	
		Income and Expenditure account	148 1,456
		Statement of capital income	3,780 15,244
Investment income	4	2001 £000	2000 £000
		Bank interest	8,767 7,463
		Income on quoted investments	14 18
		8,781	7,481
		Unrecognised losses are included in the Statement of Financial Activities.	
		Investment total £435,000 (£444,000 in 1999-2000).	
		2001 £000	2000 £000
		Charifund	11 11
		Endowments administered by the Public Trustee	424 433
		Total	435 444

Net incoming resources	5 are stated after charging:	2001	2000
		£000	£000
	Auditor's remuneration	54	50
	Taxation advice	39	37
	Operating lease rentals		
	Land and buildings	89	89
	Vehicles and Equipment	67	70
	Depreciation	4,370	1,515
	Exceptional items (see below)	8,673	—
	Rent receivable	(64)	(60)
	Modified historical cost adjustment	3,721	2,957

Following the opening of Tate Modern, a full review of project expenditure was undertaken.

The capital value of £120,650,000, which is held under a finance lease, is shown in Fixed Assets Note. 8. The remaining £8,673,000 has been expensed to the Statement of Financial Activities as an Exceptional Item.

Total resources expended	6	Staff Costs £000	Other Direct Costs £000	Depreciation £000	2001 Total £000	2000 Total £000
<i>Direct and charitable expenditure</i>						
Collection acquisitions		—	8,473	1	8,474	12,409
Collection purchases, care and enhancement		2,813	3,171	272	6,256	3,423
Public programme						
Tate Britain		5,034	5,030	652	10,716	11,988
Tate Modern		4,206	13,596	2,873	20,675	—
Tate Liverpool		1,610	1,584	158	3,352	3,613
Tate St Ives		662	581	20	1,263	1,057
National Programme		531	186	14	731	187
		14,856	32,621	3,990	51,467	32,677
<i>Other expenditure</i>						
Fund-raising and publicity		1,576	805	27	2,408	1,634
Costs of trading		5,911	10,358	324	16,593	6,675
Management and administration		681	910	29	1,620	1,949
Exceptional item		935	7,738	—	8,673	—
		9,103	19,811	380	29,294	10,258
<i>Total resources expended</i>		23,959	52,432	4,370	80,761	42,935

Direct costs of Collection acquisitions comprise £2,587,000 (£3,566,000 in 1999-2000) of purchase costs of works of art, £5,886,000 (£7,648,000 in 1999-2000) relating to donated works of art, and nil (£182,000 in 1999-2000) of other acquisition-related costs.

Direct costs of Tate Modern include £6,143,000 relating to the finance lease payment, which is offset by interest earned on the Tate Modern security deposit.

(a) Staff costs	2001	2000
	£000	£000
Wages and salaries	19,105	12,179
Pension costs	1,822	1,391
Social Security costs	1,598	967
Restructuring	—	31
Employee costs	22,525	14,568
Agency staff costs	1,434	747
	23,959	15,315

The Chairman and other Trustees received no remuneration but they received expenses amounting to £1,093 in 2000-01 (£489 in 1999-2000).

The Director's total remuneration in 2000-01 including pension contributions amounted to £136,275, comprising £115,000 salary and £21,275 pension contribution. (£197,134 in 1999-2000, comprising £110,240 salary, £20,394 pension contributions and £66,500 bonus).

The Director's service contract commenced on 1 September 1995 and expires on 31 August 2002.

Directors Pension Disclosure

Age	54
Basic Pay at 31 March 2000	£115,000
Pension Increase (Net of Inflation)	£2,000
Accrued Pension	£29,000

The number of employees whose emoluments as defined for taxation purposes amounted to over £40,000 in the year was as follows:

	2001	2000
	No.	No.
£40,000-£49,999	19	15
£50,000-£59,999	10	9
£60,000-£69,999	3	2
£70,000-£79,999	3	2
£110,000 and above	1	1

The average number of employees during the year was 1,041 (665 in 1999-2000).

The breakdown of employees at the year end by occupational groups was:

	No.	No.
Collection purchases, care and enhancement	92	100
Public programme		
Tate Britain	217	236
Tate Modern	185	—
Tate Liverpool	77	69
Tate St Ives	37	35
National Programme	16	4
Fund-raising and publicity	50	44
Trading	397	166
Management and administration	18	23
	1,089	677

Notional costs

- 7 Notional cost of capital is £16,425,000 (£15,016,000 in 1999-2000), calculated as 6 per cent of the average capital employed by Tate in the year.

Fixed assets**8 Group**

Group	Assets in the			Finance		
	Course of	Land	Buildings	Lease	Other	Total
	Construction					
Value at 1 April 2000	146,483	56,797	54,742	—	4,817	262,839
Additions at cost	7,525	—	396	—	492	8,413
Transfer of assets	(122,633)	—	—	120,650	1,983	—
Valuation of assets	—	1,908	1,813	—	—	3,721
Disposals	(975)	—	—	—	(1,044)	(2,019)
Value at 31 March 2001	30,400	58,705	56,951	120,650	6,248	272,954
Depreciation at 1 April 2000	—	—	2,149	—	3,309	5,458
Charge for the year	—	—	833	2,413	1,101	4,347
Valuation of assets	—	—	23	—	—	23
Disposals	—	—	—	—	(1,044)	(1,044)
Depreciation at 31 March 2001	—	—	3,005	2,413	3,366	8,784
Net book value at 31 March 2001	30,400	58,705	53,946	118,237	2,882	264,170
Net book value at 1 April 2000	146,483	56,797	52,593	—	1,508	257,381

Tate

Tate	Assets in the					
	Course of			Finance		
	Construction	Land	Buildings	Lease	Other	Total
	£000	£000	£000	£000	£000	£000
Value at 1 April 2000	146,483	56,797	53,958	—	2,850	260,088
Additions at cost	7,525	—	391	—	214	8,130
Transfer of assets	(122,633)	—	—	120,650	1,983	—
Valuation of assets	—	1,908	1,813	—	—	3,721
Disposals	(975)	—	—	—	(995)	(1,970)
Value at 31 March 2001	30,400	58,705	56,162	120,650	4,052	269,969
Depreciation at 1 April 2000	—	—	1,739	—	2,315	4,054
Charge for the year	—	—	777	2,413	833	4,023
Valuation of assets	—	—	23	—	—	23
Disposal	—	—	—	—	(995)	(995)
Depreciation at 31 March 2001	—	—	2,539	2,413	2,153	7,105
Net book value at 31 March 2001	30,400	58,705	53,623	118,237	1,899	262,864
Net book value at 1 April 2000	146,483	56,797	52,219	—	535	256,034

In accordance with Treasury requirements land and building were valued at 31 March 1999 by an independent firm of Chartered Surveyors and re-stated as at the 31 March 2001 in accordance with Modified Historical Cost requirements.

The financial effect of re-valuing other fixed assets was considered to be immaterial and therefore they have been disclosed at their historical cost value.

The net book value at 31 March 2001 represents fixed assets for:

	Assets in the Course of Construction £000	Land £000	Buildings £000	Finance Lease £000	Other £000	Total £000
Group						
Charitable activities	30,400	58,705	53,623	118,237	1,899	262,864
Other activities	—	—	323	—	983	1,306
	<u>30,400</u>	<u>58,705</u>	<u>53,946</u>	<u>118,237</u>	<u>2,882</u>	<u>264,170</u>
Tate						
Charitable activities	30,400	58,705	53,623	118,237	1,899	262,864
Other activities	—	—	—	—	—	—
Total	<u>30,400</u>	<u>58,705</u>	<u>53,623</u>	<u>118,237</u>	<u>1,899</u>	<u>262,864</u>

Trading subsidiaries

- 9 The Board of Trustees of the Tate Gallery owns the whole of the issued share capital of Tate Gallery Publications Limited and Tate Gallery Projects Limited.

Tate Gallery Publishing Limited

Tate Gallery Publishing Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. Its principal activities comprise the publishing and sale of books and other products, and merchandise associated with the Collection and Tate activities.

Tate Gallery Enterprises Limited (formerly Tate Gallery Restaurant Limited) is a wholly owned subsidiary of Tate Gallery Publishing Limited. Its principal activities comprise the management and operation of a restaurant, café and ancillary services for the benefit of visitors to Tate's London galleries.

The figures below are taken from the Tate Gallery Publishing Limited consolidated accounts. The group comprises the publishing and retail operations of Tate in London, Liverpool and St Ives, and the catering operations at Tate Britain and Tate Modern.

	2001 £000	2000 £000
Turnover	20,354	7,941
Cost of sales	(9,569)	(4,121)
Gross profit	10,785	3,820
Other income	320	306
Administrative expenses	(7,227)	(2,618)
Trading profit	3,878	1,508
Interest receivable	140	127
Net contribution	<u>4,018</u>	<u>1,635</u>

The net contribution consists of £3,261,000 from publishing and retail operations, and £757,000 from catering operations.

Turnover includes £537,000 of sales to Tate. Administrative expenses include £203,000 of expenditure recharged by Tate.

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.

Debtors	10	Group		Tate	
		2001	2000	2001	2000
		£000	£000	£000	£000
Trade debtors		386	247	—	—
Amounts due from group companies		—	—	1,141	572
Other debtors		7,330	6,460	7,169	4,785
Prepayments		240	507	157	168
		<u>7,956</u>	<u>7,214</u>	<u>8,467</u>	<u>5,525</u>

Creditors	11	Creditors: amounts falling due within one year		Group		Tate	
				2001	2000	2001	2000
				£000	£000	£000	£000
Trade creditors				4,767	4,374	3,936	2,407
Obligations under finance lease (Note 17)				7,822	3,842	7,822	3,842
Accruals				1,564	3,707	1,177	2,229
Amount due to group companies				—	—	69	—
Other creditors				2,390	1,855	1,522	1,683
				<u>16,543</u>	<u>13,778</u>	<u>14,526</u>	<u>10,161</u>

Creditors: amounts falling due after one year		Group		Tate	
		2001	2000	2001	2000
		£000	£000	£000	£000
Obligations under finance lease (Note 17)		116,559	116,808	116,559	116,808
Deferred income		499	—	499	—
		<u>117,058</u>	<u>116,808</u>	<u>117,058</u>	<u>116,808</u>

Operating leases

12 At 31 March 2001 Tate had annual commitments under non-cancellable leases as follows:

	Land & Buildings £000	Other £000	2001 £000	2000 £000
Operating leases expiring within				
One year	—	—	—	13
Two to five years	—	67	67	46
More than five years	89	—	89	89
	<u>89</u>	<u>67</u>	<u>156</u>	<u>148</u>

No other members of the Group hold operating leases.

Statement of Funds**13**

	Opening Funds £000	Transfer £000	Income £000	Expenditure £000	Gain (loss) on investment £000	Closing Funds £000
Unrestricted						
<i>Designated</i>						
Tate Liverpool phase II	969	—	—	22	—	947
Collection acquisitions	—	—	2,083	2,083	—	—
Capital works and equipment	12,673	—	1,348	894	—	13,127
	<u>13,642</u>	<u>—</u>	<u>3,431</u>	<u>2,999</u>	<u>—</u>	<u>14,074</u>
<i>General funds</i>	8,998	—	50,630	50,574	—	9,054
Total unrestricted funds	22,640	—	54,061	53,573	—	23,128
Restricted						
Tate Modern development	108,045	—	17,859	17,660	—	108,244
Tate Centenary development	23,522	—	4,707	—	—	28,229
Tate Liverpool phase II	5,289	—	24	108	—	5,205
Collection acquisitions	774	—	6,424	6,391	—	807
Property and equipment	82,197	—	570	502	—	82,265
Revaluation reserve	2,957	—	3,721	—	—	6,678
Other funds	23,567	—	2,038	2,527	—	23,078
	<u>246,351</u>	<u>—</u>	<u>35,343</u>	<u>27,188</u>	<u>—</u>	<u>254,506</u>
Endowments						
Gytha Trust expendable endowment	212	—	—	—	(12)	200
Downshire Fund permanent endowment	221	—	—	—	3	224
Total	433	—	—	—	(9)	424
Total funds	269,424	—	89,404	80,761	(9)	278,058

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

General funds

Funds available for general use.

Designated funds

Funds designated for a particular use by the Trustees.

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

Tate Liverpool—general funds applied and allocated towards phase II of the development of Tate Liverpool.

Collection acquisitions—funds applied to the acquisition of works of art for the Collection.

Capital works and equipment—funds applied towards the purchase of equipment and building works.

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—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.

Short-term cashflow deficits arising during the year on the Tate Modern development have been funded through loans from general funds and insurance monies. At the 31 March 2000 these loans amounted to £4,450,000 and £4,000,000 respectively. The loans attract interest at base rate plus 2% and will be repaid as funds are remitted to the Tate Modern fund.

Tate Centenary Development—funds raised from the Heritage Lottery Fund and other donors towards the redevelopment of the Northwest Quadrant of the Millbank site and other work leading to the creation of Tate Britain.

Tate Liverpool—funds raised from the Heritage Lottery Fund, European Regional Development Fund and other donors towards phase II of the development of Tate Liverpool.

Collection acquisitions—funds secured from the Heritage Lottery Fund, Friends of the Tate, and other donors towards the acquisition of works for the Collection, specifically including:

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.

Kahnweiler Fund—for the acquisition of works of art by Picasso, Matisse, Leger, Gris and Braque.

Property 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 raised specifically for and applied to the purchase of equipment and building works.

Revaluation Reserve—The reserve arising from the indexation of historical asset values to arrive at a modified historical cost.

Other restricted funds include:

Insurance monies—In 1995, following the theft of two works by JMW Turner while on display in Germany, Tate received £24 million of insurance proceeds. The funds were held for the potential repurchase of the works.

It has now become clear that the works are unlikely to reappear in the near future. However stolen works do normally reappear eventually and a decision was taken to purchase title to the stolen paintings from the insurers during 1999 at a price significantly below the original £24 million of proceeds. The purchase guarantees that the works are restored to the Turner Bequest should they re-emerge while allowing the balance of funds to be utilised. A consideration of £8 million was paid for the title.

The advice of the Charity Commission has been sought as to the precise status of the balance of the funds and its application in the longer term. As a first step, an interest free loan of £7 million has been made from this restricted fund to general funds to acquire the freehold of Tate's fine art store in Southwark. The Department for Culture, Media and Sport and the Charity Commission have approved this arrangement.

Aitken Staff Fund—for the relief of distress or financial hardship suffered by Tate employees through no fault of their own.

Shenkman Trust Fund—to pay for commission of works of art at Tate Modern.

Other funds 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. Income from such funds is taken to the relevant restricted fund, while the capital is shown in a separate line in the Balance Sheet.

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

Gytha Trust—expendable endowment for purchases of the Tate 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 and only the income can be spent. The capital remains permanently intact.

Analysis of net assets between funds	14	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2001 £000	Total 2000 £000
Funds balances at 31 March 2001						
Are represented by:						
Tangible fixed assets		22,125	242,045	—	264,170	257,381
Investments		—	11	424	435	444
Net current assets		1,003	129,508	—	130,511	128,407
Long term creditor		—	(117,058)	—	(117,058)	(116,808)
Total net assets		23,128	254,506	424	278,058	269,424

Cash flow information 15 (i) Reconciliation of operating surplus to net cash inflows from operating activities

	2001 £000	2000 £000
Net incoming resources	4,922	35,421
Investment income	(8,780)	(7,481)
Depreciation	4,370	1,515
Loss on disposal of fixed asset	975	—
(Increase)/Decrease in stocks	(1,273)	(146)
(Increase)/Decrease in debtors	(742)	(504)
Increase/(Decrease) in creditors	(716)	618
Net cash inflow/(outflow) from operating activities	(1,244)	29,423

(ii) Reconciliation of Net Cash Flow to Movement in Funds

	2001 £000	2000 £000
Increase/(Decrease) in cash in the year	7,558	(826)
Cash flow from management of liquid resources	(4,704)	7,296
Change in funds resulting from cash flows	2,854	6,470
Net funds at 1 April 2000	133,592	127,122
Net funds at 31 March 2001	136,446	133,592

(iii) Analysis of Movement in Funds

	2000 £000	Cash Flow £000	2001 £000
Liquid resources			
Tate Modern security deposit	108,585	2,153	110,738
Other	15,746	(6,857)	8,889
	124,331	(4,704)	119,627
Cash	9,261	7,558	16,819
	133,592	2,854	136,446

Financial commitments	16	2001	2000
		£000	£000

Financial commitments were as follows:

Capital expenditure contracted for, but not provided in the accounts	2,230	8,883
Acquisition of works of Art contracted for, but not provided in the accounts	1,753	3,019

**Tate Modern Finance
Leasing Structure**

- 17** The Board of Trustees ("the Board") has entered into a finance lease arrangement for the development of Tate Modern ("TM") 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 the Board of Trustees ("the Board") and granted a 105 year head lease interest in the site of the Bankside Power Station to NatWest Markets Property Investments Limited ("NWPIL") on the 28 October 1997 for a premium of £11,385,000.

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

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

Under the terms of the lease, the Board is obliged to hold a cash sum equivalent to 90 per cent of the present value of its future rental and interest obligations as security for the performance of these obligations. This sum is described as TM security deposit on pages 18 and 19 to the accounts and is subject to a charge in favour of NWPIL. At the year end the deposit was £110,738,000 (1999-2000 £108,585,000).

The rental obligations to which the Board is committed are:

	2001	2000
	£000	£000
In one year or less	7,822	3,842
Between one and two years	8,102	7,822
Between two and five years	26,095	25,191
Over five years	475,647	484,653
	517,666	521,508

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

The finance lease structure secures 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 2001 £120,650,000 (£123,348,000 in 1999-2000) has been capitalised in respect of the TM development, and the present value of the Board's obligations under the lease stood at £124,381,000 (£120,650,000 in 1999-2000). During the year the lease finance charge was £6,143,000 (nil in 1999-2000).

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

Related party transactions

- 18 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) and the Millennium Commission for which the Department is also regarded as the parent Department. Sir Richard Carew Pole is a Trustee of the NHMF and Tate.

Following discussions between the National Gallery and Tate on the scope of their Collections, the respective Boards have agreed that the dividing line of the National Gallery's and Tate's responsibilities in respect of foreign art should be at 1900, rather than the late nineteenth century. 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 2000-01, which have the Departmental for Culture, Media and Sport as a parent Department.

- British Museum
- English Heritage
- Imperial War Museum
- National Gallery
- National Maritime Museum
- National Museums and Galleries on Merseyside (Walker Art Gallery)
- 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 2000-01, which have the Department for Culture, Media and Sport as a parent Department.

- British Library
- British Museum
- English Heritage
- Imperial War Museum
- Government Art Collection
- National Gallery
- National Maritime Museum
- National Museums and Galleries on Merseyside (Walker Art Gallery)
- National Portrait Gallery
- Public Records Office
- Science Museum
- Sir John Soane's Museum
- Victoria & Albert Museum

John Studzinski is a Trustee of Sir John Soane's Museum and Tate; Professor Dawn Ades is a Trustee of the National Gallery and Tate and a member of the DCMS Advisory Panel; Jon Snow is a Trustee of the National Gallery and Tate.

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