

# National Portrait Gallery Annual Report and Accounts 2014-15

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

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# TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

## INTRODUCTION

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31st March 2015. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and are presented in accordance with the reporting requirements of the Statement of Recommended Practice (revised 2005), *Accounting and Reporting by Charities*.

The Annual Report sets out:

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

## STRUCTURE, GOVERNANCE AND MANAGEMENT (INCLUDING ADMINISTRATIVE DETAILS)

### Constitution

The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established. The National Portrait Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011.

### History and Background

The National Portrait Gallery was founded in 1856 to collect and display portraits of eminent British men and women. The first acquisition to be registered was the portrait of Shakespeare, known as the 'Chandos' portrait.

Today the Gallery's collection is among the largest and most prestigious collections of portraits in the world in all media. The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,402 portraits of the most famous people in British history. Of these more than 4,084 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,318 works on paper, shown on a rotating basis of about 300 items a year.

Alongside the permanent collections displays which are hung chronologically, the Gallery presents a wide range of temporary exhibitions and small displays on a varied range of subjects, media and time periods. The Gallery's Learning department runs extensive education and outreach programmes for schools, colleges, families and visitors in general, promoting access to and understanding of the collections to a broad range of audiences.

From its earliest days the Gallery has also collected extensive reference material relating to portraiture which has developed into a unique national resource. In the 1960s the Photographs Collection was revitalised and in 1969 portraits of living people were for the first time regularly admitted to the collection. This material is used for study and exhibition, and works have been extensively reproduced in books and other publications. There are more than 335,000 images in the Reference Collections, divided between the Archive and Library's Reference Collection of about 85,000 items, mainly prints but also 2,500 drawings, 75 paintings and 140 sculptures, almost all relatively modest in nature, and the Photographs Collection of more than 250,000 photographs and historic negatives. The Heinz Archive and Library also contains 40,000 books and manages the Gallery's Records and Collected Archives.

Access to the permanent collections is free, however most of our temporary exhibitions are ticketed providing an increasingly essential source of revenue. Normally items not on display can be made

available for viewing via the Collections Registrar. The Collection is also made widely available via the Portrait Explorer in the Digital Space (formerly the IT Gallery), by CD-Rom, on the internet (at [www.npg.org.uk](http://www.npg.org.uk)) and in Gallery and other publications.

The Collection has been housed at St Martin's Place since 1896. The building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Sir Joseph (later Lord) Duveen. 1993 saw the opening of a permanent home in Orange Street for the Gallery's archive and library, funded by the Drue Heinz Foundation, together with new offices and a conservation studio. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, improved visitor facilities and a new lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors. In 2004, the refurbished Regency display in the Weldon Galleries completed a ten year programme of buildings renewal.

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

### **Structure, Governance and Management**

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

A list of Trustees during 2014/15 and up to the date on which the accounts were signed is at page 30. Following their appointment, new Trustees are given a Trustees' handbook, policy papers and a full induction about the Gallery and their terms of appointment, duties, rights and responsibilities. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held, which is open to the public, and can be accessed in The Heinz Archive and Library.

The Director of the Gallery for much of the year was Sandy Nairne CBE. In February 2015, Sandy Nairne retired as Director after serving twelve highly successful years as Director. He was succeeded as Director by Dr Nicholas Cullinan, who took up the post of Director in mid April 2015. In the interim, Pim Baxter was appointed by the Secretary of State as Acting Director. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual strategic review day.

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

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

In January 2012 HRH the Duchess of Cambridge became Patron of the National Portrait Gallery. In spring 2012 an independent foundation trust, The Portrait Trust, was established to work alongside the Gallery in promoting the public's enjoyment, understanding and learning through the medium of portraiture.

Details of the Gallery's external advisers are at pages 30 and 31.

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

## **OBJECTIVES**

### **Objects and Key Policies of the Gallery**

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

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

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

The Gallery does not charge for general access to permanent Collection displays. Temporary exhibitions are partially funded by sponsorship, by admission charges in the Wolfson and Porter Galleries, and by retail sales associated with the exhibitions made through the National Portrait Gallery Company Limited. Earning revenue in addition to the government's grant-in-aid allows a wider public programme to be offered.

The Gallery is an equal opportunities employer. The development of working practices and a working environment that facilitates this, in particular with regard to the employment of disabled persons, are key objectives, as embodied in its combined Equality Scheme. The Gallery has a comprehensive policy and training programme, and a Wellbeing Policy, aimed at securing the health, safety and welfare of its employees, (see pages 16 and 17).

Gallery employees are involved in the development of policies, strategic and corporate plans and performance targets through corporate planning and performance management processes. Management meetings and newsletters provide a regular means for the consideration of issues and dissemination of information to staff throughout the year. Regular meetings between staff and management ('Whitley Council' meetings) provide a forum for discussion of staff issues. The Gallery continues to receive valuable support from volunteers, as detailed on page 17.

### **Objectives and Performance Indicators**

The Gallery signed a new Management Agreement with the Department for Culture, Media and Sport in July 2014. The Agreement confirmed the Gallery's six Corporate Objectives along with some specific priorities that the Secretary of State outlined for the Gallery. The Agreement also included twelve key performance indicators (KPIs) that the Gallery has to report against. Many of the KPIs were the same as those the Gallery has reported against in past years, but some were different and as a result will have no prior period comparators because the data was not compiled in the earlier periods. These performance indicators relate to audience profile, learning and outreach, visitor satisfaction, income generation (both charitable and non-charitable) and regional engagement. The

Management Agreement performance indicators are reviewed quarterly by Trustees and annually by DCMS. Reference is made to these indicators throughout the Annual Report with the Gallery's performance in 2014/15 detailed on pages 32 and 33, (with comparators for previous years provided where possible).

The 2014/17 Corporate Plan established six primary objectives for the Gallery's three-year business plan as follows:

#### Charitable activities

- To extend and broaden the range of audiences for the National Portrait Gallery and its work through access and learning, a higher national and public profile, and effective communication;
- To develop the Collection, creating opportunities for acquisition and commission, while improving its care and conservation;
- To increase the understanding of and engagement with the Collection and the art of portraiture through outstanding research, exhibitions and displays, publishing, regional and digital programmes;

#### Increasing and developing resources

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

The Management Agreement with DCMS introduced five priorities set for the Gallery by the Secretary of State which included:

- that the world-class collections and front-line services of the Gallery are protected;
- that free entry to the permanent collections of the national museums will continue to be available and public access will be protected;
- that the Gallery will continue to work in partnership with other museums in the UK;
- that the Gallery will continue to strengthen the financial resilience of the sector, building on the work you have already embarked on to develop philanthropy in the sector, and adding further impetus to organisation's efforts to increase their share of 'earned income';
- that the Gallery will support international cultural exchange and build relationships which help develop the culture sector in this country and assist export promotion in that sector

## ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

### 1) Extending and broadening audiences

#### Visitor numbers

The Gallery's popularity continued to grow on a national and international level during 2014/15, with an increased number of people having access to exhibitions, displays and the Collection both on site and online, and through our National Programme, touring initiatives and Learning and Participation projects.

Visitor figures once again exceeded over two million visits, and a new record for visitors was set, with the Gallery attracting 2,081,663 visits. This was 93,184 (5%) more than in 2013/14, and was a record year, beating the previous record set in 2012/13 by just under 28,000. During the year the Gallery held several high profile exhibitions and displays, such as *Bailey's Stardust* and *Grayson Perry: Who Are You?*, attracting 36% new visitors to the Gallery. The free exhibition, *The Great War*



*in Portraits*, on display in spring 2014, was very successful (welcoming 208,219 visitors in total and achieving over 200% of visitor target), with several other exhibitions, including *Virginia Woolf: Art, Life and Vision* and *Anarchy & Beauty: William Morris and His Legacy, 1860-1960*, also exceeding target.

There was clear growth within key demographic groups, such as BAME audiences, which equated to 11% of overall visitors; 16% of visitors representing students or lower social-economic groups; overseas visitors making up 38% of total visitors, and London visitors forming 33% of all visitors. Satisfaction levels remained positive, with 99% of visitors describing their visit as, 'Excellent' or 'Good'.

Various new initiatives were put in place in order to improve the visitor experience before and during visits, which included revised display signage and orientation information, and revised pricing structures to increase and simplify discounts and donations.

### Marketing

Marketing campaigns continued to make use of digital and print communications to expand the reach of all exhibition messaging. Social media and digital advertising were central to each campaign, with notable activity including an online trailer for *Anarchy & Beauty: William Morris and His Legacy, 1860-1960*; an interactive connections map for *Sargent: Portraits of Artists and Friends*, and the early launch of *Audrey Hepburn: Portraits of an Icon*, with several online advertising bursts to encourage ticket pre-sales – a new initiative for the Gallery.

### Press

Press campaigns resulted in widespread media coverage for exhibitions such as *Bailey's Stardust* and *Sargent: Portraits of Artists and Friends*, and news of the announcement of the launch of the Gallery's *Save Van Dyck* fundraising appeal. The Gallery worked with Channel 4 on the major broadcast collaboration *Grayson Perry: Who Are You?*, and with *Sky Arts* for the second year running on their annual *Portrait Artist of the Year* competition. A specially commissioned film of the *BP Portrait Award 2014, What The Artist Saw* (available online) won a Sponsorship Award.

### Late Shift

A collaboration with the English National Ballet saw the creation of a special *Late Shift Extra* to coincide with *Museums at Night. In Parenthesis*, inspired by David Jones's seminal poem of the First World War, featured five simultaneous dance performances in different Gallery spaces repeated throughout the evening, culminating in a moving finale in the Gallery's Ondaatje Wing Main Hall.

*Late Shift*, with its range of events, talks, tours and pop-up bars continued to make the Gallery an attractive destination for young professionals. The *Friday Evening Music* series continued to prove popular, with highlights including performances by the violinist Tamsin Waley Cohen, beatboxer Reeps One, jazz drummer Dylan Howe and the *Portrait Choir*.

### The Portrait Choir

Launched in June 2014, the *Portrait Choir* (supported by Hani Farsi and The Mohamed S. Farsi Foundation), under the direction of Artistic Director Gregory Batsleer, with a choir of twenty-two young singers at the start of their careers, performed music associated with the Gallery's exhibitions and displays. The programme during 2014/15 included new commissions, residencies and singing days for members of the public. Highlights were a new piece by Ben Parry composed for the launch and *Anonymity* created around *The Great War in Portraits* (the *Portrait Choir* was invited to take this performance to the Latitude Festival). The two performances of the *Messiah* in December 2014 marked the first time public performances were held outside of Gallery hours. A Staff Choir led by Gregory Batsleer performed to colleagues during the year.



## Families

The Gallery is committed to providing an excellent welcome for families. The Family Activity Base (the FAB) was launched in 2014, inspiring 13,085 family members (6,683 children and 6,402 adults) in 3,868 family groups to engage with the works on display through participation in creative activities during weekends and holidays, and children's book illustrator Jenni Desmond created new characters for the *BP Portrait Award 2014* Family.

## Young People

The Gallery's active Youth Forum (twenty-five strong) continued to discuss and implement ways to make the Gallery more youth-friendly. Forum members planned and hosted *Pick up a Pencil* drop-in drawing sessions for ages 14 – 21 every month, working with a guest artist to engage young people with experimental drawing activities inspired by the Collection.

### *Domino Effect*

*Domino Effect*, the three-year Photography project working with NEET (Not in Education Employment or Training) young people in Southwark and Camden, came to a close in 2014/15. Supported by skilled photography freelancers, participants made their own photographic portfolios inspired by exhibitions including *Bailey's Stardust*. *Domino Effect* successfully encouraged progression, with two participants achieving their AQA Unit Awards in 'Exploring perceptions of self through photography', and others joining the Gallery's Youth Forum.

## Schools and Colleges

43,233 individual children and young people participated in on-site School and Colleges activities during 2014/15, with a further 247 participating in Gallery activities off-site.

To extend the outcomes of the *Making Art in Tudor Britain* research project, a series of Primary workshops were supported by Bank of America Merrill Lynch. Pupils examined a conserved portrait to learn why conservation is necessary and how research helps our understanding of the Tudor period.

Study Days continued to attract a strong audience of Secondary Art students, who explored themes inspired by the Collection through practical activities and interaction with artists. Grayson Perry led a thought-provoking debate with GCSE students about making art, as part of the learning programme which accompanied the Gallery's *Grayson Perry: Who are You?* display.

## Adult Programmes

Free *Drop-in Drawing* sessions, which take place in the Gallery space every Friday evening, with record numbers of participants throughout 2014/15 - with over 250 visitors taking part in some sessions.

The 2014/15 public programme focused on major exhibitions *Bailey's Stardust* and *The Great War in Portraits*, as well as commemorating the 450<sup>th</sup> anniversary of Shakespeare's birth. We continued to attract excellent speakers for events complementing exhibitions such as *Anarchy & Beauty: William Morris and His Legacy, 1860-1960*, where highlights included Jeremy Deller on Warhol and Edmund de Waal's appraisal of the Arts & Crafts movement's influence on making and writing today.

Photography events continued to attract and engage audiences, with the third Schwartz Memorial *Masters of Photography* event seeing photographer Nadav Kander in conversation with the *New York Times Magazine's* Director of Photography Kathy Ryan.

## Access

*Magical Journeys*, a three-year project providing creative arts activities for young people in London hospitals, completed its first year. Participants explored writers and stories in the Collection to create their own animations and mixed media responses.

The Gallery continued to work in partnership with Wigmore Hall and Turtle Keys Arts to deliver a visual arts and musical engagement project during the summer months for young people with Autism Spectrum Disorder (ASD, which includes Asperger syndrome and autism). The partnership began in 2010, and the 2014 programme proved very successful.

### Creative Connections

This project continued into its second year, with film maker Eely Lee working with Brentside High School Art students to create the *Ealing Trilogy*, exploring the themes of vision, endeavour and creativity through allegorical and cinematic representation of the achievements of key sitters from the Collection who had connections with Ealing. The final film formed part of an engaging display at the Gallery. In early 2015 the third year of the project began in Camden, with photographer Kate Peters working with GCSE Art students from Haverstock Hill School to explore the history of photography, learning about Collection sitters and the local area to create an emblematic portrait of the 'spirit of Camden'.

### Picture the Poet

This touring exhibition of photographic portraits of living poets organised by the Gallery with the National Literacy Trust (NLT) and Apples and Snakes (the country's leading performance poetry organisation) continues to inspire young people across the country to develop their literacy skills through engagement with photographic portraits. By the close of 2014/15 over 2,000 school children had participated in the programme. The NLT continues to provide bespoke training for teachers and is offering logistical support for school visits to the exhibition, and Apples and Snakes is developing workshops with poets and harder-to-reach young people, enabling them to create and perform their own work. Poets and photographers, such as Ian Macmillan, Francesca Beard and Andrew Motion, continue to contribute to the wider *Picture the Poet* programme, with Lemn Sissay and Benjamin Zephaniah two of the headliners at late night public events held during 2014/15 inspired by the exhibition.

### National Memory-Local Stories (funded by the Paul Hamlyn Foundation)

Marking the First World War Centenary, the Gallery worked with Media 19 and five national and local area museums across the UK (National Museums Northern Ireland, National Museums Scotland, Amgueddfa Cymru - National Museum Wales, The Rifles Berkshire and Wiltshire Museum and Redbridge Museum, London) during 2014/15 on a new model of collaborative practice. *National Memory-Local Stories* saw young people work with artists to produce their own responses to the First World War, inspired by collection objects with local stories. Participants produced powerful and moving artwork during a series of workshops, and came together to share their experiences at a special day-long event at the Gallery. The young peoples' work was presented in displays at each partner venue, and now forms part of the dedicated *National Memory-Local Stories* project website, sitting alongside artists' films, new digital learning resources for schools and a toolkit created to share project practice and guidance with the cultural sector. The experience of this project will inform how the Gallery develops further national participation projects, to connect more effectively with harder-to-reach audiences to explore key moments in British history through stories linked to portraiture, people and place.

### Interpretation

A number of interpretation initiatives were developed in 2014/15, including an engaging *Real Tudors: Kings and Queens Rediscovered* interactive app. for smartphones, which explored portraits from the special display and the results of scientific investigation undertaken as part of the *Making Art in Tudor Britain* research project. A series of six bespoke short films added context to *Anarchy & Beauty: William Morris and His Legacy, 1860-1960*, while the *Grayson Perry: Who Are You?* display included a map drawn by the artist to help visitors navigate the innovative hang.

## National Programmes

The beginning of the nationwide tour of the newly acquired Van Dyck *Self-Portrait* formed the heart of the Gallery's 2014/15 National Programme. The portrait took centre stage in the exhibition *Self: Image and Identity* at Turner Contemporary, Margate, which also included eighty portraits from the Collection alongside other loans. In 2015/16 the Van Dyck *Self-Portrait* will tour to Manchester Art Gallery, and thereafter to four additional regional venues (each display will have integrated learning and participation programmes developed by the partner venue).

*Picture the Poet*, funded by the Arts Council's *Strategic Touring Fund* and the Ernest Cook Trust, began a six venue tour in 2014/15, with the Gallery working in partnership with the National Literacy Trust and Apples and Snakes. The project continues to see venues develop relationships with local literary organisations and photographers, extensive Schools and teachers programmes, and live poetry events with a focus on young people.

The Schools-focussed project *Making a Mark* in the Tees Valley, funded by the DfE/ACE *Museums for Schools* programme, included displays at seven museums. The Gallery loaned the portrait of Mo Mowlam by John Keane to the Kirkleatham Museum, which is located in the late MP's former constituency of Redcar and Cleveland.

Also connecting people and place was the loan of portraits of archaeologists to eleven venues along Hadrian's Wall as part of the dispersed exhibition *Wall Face*, organised by the Hadrian's Wall Trust and Tyne and Wear Archives and Museums.

The National Programme in 2014/15 included thirty-four different venues as part of collaborative projects and exhibition tours, which gave us a total of 143 UK loan venues (including long-term loans and portraits lent in response to requests from other museums and galleries). The Gallery lent portraits to twenty-three venues overseas, including the Pushkin State Museum of Fine Arts (for their 2014 exhibition, *Aubrey Beardsley, Oscar Wilde and their Russian Admirers*).

## **2) Developing the Collection**

### Introduction and Highlights of Primary Collections Acquisitions

Following the successful purchase of the Van Dyck *Self-Portrait* in June 2014 the Gallery had limited resources for additional new acquisitions during 2014/15. However, as a result of external funding, and many important gifts and bequests, 2014/15 nevertheless yielded important new acquisitions for the Collection. An early medal depicting Robert Dudley, 1st Earl of Leicester, by an unknown artist, 1587, shows the sitter relinquishing the Governorship of the United Provinces and includes a highly unusual early allegorical representation on the reverse showing a sheep dog leaving his flock. The purchase of an impressive nineteenth century portrait of the art dealer, MP and philanthropist Sir William Agnew by Frank Holl 1883, is an exceptional example of the artist's work depicting a man who played a central role in the careers of many Victorian artists.

Some important twentieth century portraits were acquired as gifts and bequests. A bequest of a powerful early self portrait of the artist Mark Gertler, c.1908-9, shows the artist at the age of seventeen while studying at the Slade School of Art. A painting of the German polymath and one of the few foreign nationals to be awarded the order of merit, Albert Schweitzer by Clara Ewald, 1930, was acquired as gift. Significant loans to the Collection included a portrait of Lady Caroline Blackwood by Lucian Freud, 1952 depicting the artist's former wife and muse and known as 'Girl in Bed'.

Several remarkable early photographs were also acquired at auction, including a moving image of the explorer Captain Lawrence Edward Oates by Herbert Ponting, 1910. Oates is photographed aboard the ship the *Terra Nova* on the first leg of the journey of the British Antarctic Expedition, and is depicted with the dogs and Siberian Ponies used on the ill-fated journey. A portrait of the art critic and author John Ruskin by Frederick Hollyer, 1894 shows him seated in his study as a great Victorian intellectual.

New acquisitions of photographic portraits of the current Royal Family include four images of Her Majesty Queen Elizabeth II by David Bailey, 2014, gifted by the GREAT campaign, and a double portrait of HRH The Prince of Wales and HRH The Duchess of Cornwall, and a single portrait of HRH The Duchess of Cornwall by Mario Testino, 2006. A remarkable portrait of Dame Vivienne Westwood by Juergen Teller, 2012 shows the fashion designer posing nude, intentionally referencing the work of the eighteenth century French artists Jean Antoine Watteau and François Boucher.

### Commissions

Two *J.P. Morgan Fund for New Commissions*-funded portraits were completed during 2014/15: Dame Vivienne Westwood was photographed in her London garden (again by Juergen Teller), and mathematician Sir Andrew Wiles, who found a proof for Fermat's Last Theorem, was painted by Rupert Alexander. Mary Jane Ansell employed a miniaturist's technique to paint Sir Stelios Hajiloannou, entrepreneur and Easyjet-founder, and Humphrey Ocean painted his friend and patron Randolph ('Randy') Lerner, businessman, philanthropist, Gallery benefactor, and former Chairman of Aston Villa Football Club.

### The Photographs Collection

Over 1,500 photographs were acquired, including gifts from Tracy Granger, the Mrs W.M. Matthews Will Trust, Gillian Ware, Rupert James Edward Youle, Colin Cohen, the Angus Basil Family Estate, Marco Grob, Terence Pepper and Mario Testino. Victorian albums were given by Stephan Loewentheil and Bettina Harden, and the Moyne/Churchill album was donated by Martin Plaut. Historical purchases included an Elliott & Fry 1880 sample book; a Mitford family album; documentary images by Tim Gidal; portraits by Anthea Sievekin, Harri Peccinotti and Clay Perry, and a portfolio of 1980's pop portraits by Peter Ashworth.

Contemporary works by Richard Ansett, Jay Brooks, Luke Archer, Steve Cook, Elena Heatherwick, Neil Martinson, Derry Moore, Lynn Saville, Veronika Speigl, Joni Sternbach, Dav Stewart, Eva Vermandel, David Vintiner and John Wright were added to the Collection. Two *Taylor Wessing Photographic Portrait Prize* winners' commissions were completed in 2014/15: Dame Christine Beasley by Ali Lomas (through the *Godfrey Argent Award*) and Olivia Colman by Hana Knizova (through the *John Kobal New Work Award*).

### Reference Collection: The Heinz Archive and Library

Gifts for the Reference Collection in the Heinz Archive and Library included a drawing of John Cranko by Roland Litzemberger, donated by Jan Stripling and a hand-coloured etching, 'Quae Genus with a Portrait Painter', by Thomas Rowlandson, given by Jacob Simon. Terence Pepper donated a number of items, including published illustrations from *The Cartoon*, the series *People in Punch*, and sheet music covers. A sitter book of the artist William Edwards Miller was donated to the Archive by James Hannah, and the records of the Kent Portrait Survey were transferred to the Gallery from Maidstone Museum. The Library added to its e-resources with the Art Loss Register, the *OCLS Art Discovery* catalogue, and *The Times* online.

### Collections Care and Collections Management

Two major projects were the preparation of works for *The Real Tudors: Kings and Queens Rediscovered* special display (and its tour to the Musée du Luxembourg, Paris, where it formed the core of *Les Tudors*), and the conservation of the framed Van Dyck *Self-Portrait*. Conservation assessments and the climate buffering of frames were key to the preparation of *The Real Tudors*, and comprehensive technical analysis informed the acquisition and treatment of the Van Dyck frame and portrait prior to its nationwide UK tour.

Surveys of panel paintings and sculptures in the Southwark Store, and Furniss drawings in the Special Collections Store, were undertaken during 2014/15, with results informing the Gallery's Conservation Strategy. Funding from Bank of America Merrill Lynch made the treatment of three Tudor panel paintings possible, and the installation of *Grayson Perry: Who are You?* involved the whole Collections team, with thirteen works in a variety of media interspersed amongst Collection



works throughout the Gallery's first floor. Members of the Gallery's Art Handling team participated as trainers in Tate's two-year Heritage Lottery Fund (HLF)-funded project *Skills for the Future*.

### Portrait Fund

The Gallery's Portrait Fund (the object of which is to assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation) has benefited from substantial support, which built on previous generous donations from Viscountess Eccles, Lord Marcus Sieff, Sir Christopher Ondaatje, and the Lerner Foundation. The generous donations from these donors have been used to build up the Portrait Fund since its inception in 2006 and to enrich specific vital Gallery programmes.

The Fund operates under its own trust deed; the Trustees of the Portrait Fund are Sir William Proby and Allegra Berman, from the Gallery's own Board of Trustees. The Fund also has three independent Trustees, Lady Douro, Sir Christopher Ondaatje and Crispin Odey.

The Portrait Fund Trustees were delighted that in 2012/13 the Gallery's bid to the Heritage Lottery Fund's *Catalyst: Endowment* match funding scheme was successful. The scheme is offered to cultural organisations to help them build endowments. The scheme provides match funding of £1 million to the Portrait Fund if the Gallery raises £1 million for the fund by July 2016. In 2014/15, donations to the Portrait Fund totalling £489,357 were doubled to £978,714 via the Gallery's HLF/DCMS Catalyst Endowments Award. Fundraising in honour of Sandy Nairne achieved £280,000 in cash and pledges, including gift aid, enabling the Gallery to reach the £1,000,000 scheme target significantly in advance of the June 2016 deadline. The Gallery has now doubled £900,000 of donations and will claim the remaining £100,000 of match-funding in 2015/16. We plan to continue fundraising for the Portrait Fund in the coming year.

For further information about supporting the Gallery and the Portrait Fund, please contact Pim Baxter, Deputy Director on 020 7312 2448.

## **3) Increasing the Understanding of and Engagement with the Collection**

### Introduction

2014/15 was a dynamic year for the Gallery, with our programmes providing a varied and wide-ranging offer for London-based, national and international audiences. This offer has encouraged engagement and participation, interaction and dialogue on a significant scale within the Gallery and online, as reflected by our visitor figures.

Promoting and increasing access to the Collection (through digitisation, cataloguing, research, displays and publishing) enables the Gallery to reveal and amplify the stories behind the portraits, make links across periods and provide rich content. Introducing artists, photographers and practitioners to our existing and new audiences enables us promote their work, provide context and enrich the activity onsite. The exhibitions programme aims to provide a mix of thematic and monographic shows, highlighting history and biography and during 2014/15 we opened-up Gallery competitions to more artists from around the world.

Increasingly visitors are accessing the website through mobile and tablet platforms, and providing Wi-Fi throughout the Gallery, plus optimising key pages within the Gallery's website, allows this to happen more easily - statistics show this is an area of growth, so the provision of new and engaging content about the Collection online is very important.

Research developments, training and cataloguing continued to be strong activities, and linking those developments and outcomes into the future will be key. The importance of disseminating the Gallery's work through publications for the exhibitions programme and non-exhibition areas, in a changing market, means that we need to remain alert to what our audiences are seeking and how best to provide for them.

## Exhibition Highlights

*The Great War in Portraits* and *Virginia Woolf: Art Life and Vision* each dealt with subjects that proved extremely compelling, eliciting strong emotional responses from visitors. *Anarchy & Beauty: William Morris and His Legacy* was a triumph in design ingenuity; working closely with the curator Fiona MacCarthy, the display of many beautiful and unusual objects was dealt with sensitively and created a stunning visual experience. *Bailey's Stardust* toured to Arles in summer 2014 and then opened at Padiglione d'arte Contemporanea (PAC) in Milan in March 2015, extending the reach of the Gallery on an international level. 2014/15 saw the introduction of digital entries to the *BP Portrait Award*, a process that cut costs for entrants, and encouraged overseas submissions. *Sargent: Portraits of Artists and Friends* opened to critical acclaim and extremely positive comments from visitors, who praised the interpretation, beautifully-lit rooms and considered hang.

## *Immunity from Seizure*

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

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

The National Portrait Gallery applied for approval under Section 136 of the Tribunals, Courts and Enforcement Act 2007 on 15 December 2008 and this was granted on 17 February 2009. The Gallery provides information on its website for Immunity from Seizure:

<http://www.npg.org.uk/about/foi/immunity-from-seizure.php>.

## The Galleries and the Displays

An exceptionally lively and varied programme of temporary displays across the Gallery continued to showcase aspects of our extensive Collection, and included important loans relating to portraiture, identity and artistic practice. *Grayson Perry: Who Are You?* saw the contemporary artist's work on display alongside nineteenth and twentieth century Collection portraits to explore contemporary British identity. A major re-presentation of the Tudor Galleries, *The Real Tudors: Kings and Queens Rediscovered*, focused on recent research on portraits of the five Tudor monarchs with a subsequent exhibition *Les Tudors*, at the Musée du Luxembourg, Paris. Other displays explored the story of the Suffragettes, celebrating the centenary of the campaign for political equality for women, and a display co-curated by a school group from Ealing as part of *Creative Connections*. A display of works by Snowdon featured a selection of photographs, which celebrated a recent major gift to the Gallery, and a display on the portrait painter Catherine Goodman examined her contemporary practice and her process of making portraits from life.

## Digital Programmes

The Gallery's website was mobile optimised to enhance visitor experience, and the main Gallery landing pages were transformed to more visual templates promoting developments more effectively. In addition to cataloguing, the digitisation and content enhancement carried out by the team ensured that *Search the Collection* remained the most popular website feature, with 49% of all visits. By the close of 2014/15, 203,000 portraits were presented online, 116,500 of which have been digitised. Visits to the Gallery's website were again around four million. A time lapse video of the conservation of the *Naval Officers of World War I* group portrait, and a rolling video of the full extent of the Duke of Wellington funeral procession portrait, were created for the *Portrait Explorer* system, and featured in YouTube content embedded within *Search the Collection* pages. Interactives were created for *The Real Tudors: Kings and Queens Rediscovered* and *Wellington: Triumphs, Politics and Passions*, for which the Gallery also created the Gallery's first iPad app. Microsites were created for Gallery

exhibitions, *Grayson Perry: Who Are You* and *The Real Tudors* displays; the *Making a Mark* and *Picture the Poet* project, and the *Save Van Dyck* fundraising appeal.

### Research Programmes

The *Making Art in Tudor Britain* project essay volume, *Painting in Britain 1500-1630: Production, Influences and Patronage*, was prepared for publication by Oxford University Press for the British Academy in 2015. Good progress was made with the *Catalogue of Later Victorian Portraits*, with the online publication of a major entry on Ellen Terry, and the completion of research and writing of the *Catalogue of Later Victorian Portraits – Medical Pioneers* project (funded by Walgreens Alliance Boots). The Arts and Humanities Research Council (AHRC) Collaborative Doctoral Partnership grew in strength, with two PhD studentships currently underway and two further collaborative awards commencing in October 2015. As part of the Thames Consortium, the Gallery continued to contribute to the training scheme offered to all CDP students. The Gallery established a Research Advisory Panel to monitor its research output, and the period was productive for individual members of staff (please see: [www.npg.uk/research](http://www.npg.uk/research)).

### Cataloguing: Archive and Library

In the Reference Collection, over 2,200 prints and drawings were catalogued and scanned. These included (with generous support from the Elizabeth Cayzer Charitable Trust) two albums of character sketches, many of which were drawn in pencil on menu cards and table plans and other ephemera, by the artist Fred Roe. In addition, a collection of illustrated sheet music covers of the late Victorian and Edwardian period, and nearly 1,700 colour lithographic caricatures from the magazine *Vanity Fair* (1869-1913), were catalogued. 3,200 portraits in external collections were recorded in MIMSY (the Gallery's collections management software application) as part of the Gallery's ongoing commitment to recording British portraiture.

### Cataloguing: Photographs Collection

Important un-catalogued holdings and new acquisitions were prioritised, making records available online for the benefit of the public, scholars and other researchers. More than 3,250 photographs were catalogued, including negatives by Walter Stoneman, Dudley Glanfield, Bassano Ltd and Baron Studios; photographs from the Camille Silvy daybooks; an Elliott & Fry sample book; the albums of Samuel Wilberforce and Barbara Strachey; photographs donated from the personal collection of Terence Pepper, and postcards of theatrical subjects bequeathed by Patrick O'Connor. Photographs of Jean Simmons (given by her daughter Tracy Granger), Dora Barton, Vivien Leigh and the family of Douglas Haig, 1<sup>st</sup> Earl Haig (given by his grand-daughter Xenia Dennen), in addition to various acquisitions from contemporary photographers, were also catalogued.

### Publishing

2014/15 was a strong year for the Gallery's publishing programme. The exhibition catalogues for *Virginia Woolf: Art, Life & Vision* and *Anarchy & Beauty: William Morris and His Legacy, 1860-1960* were very successful, as was the tie-in gift book, *William Morris: Words & Wisdom*. Other catalogues included the *BP Portrait Award 2014*, the *Taylor Wessing Photographic Portrait Prize 2014*, *Wellington: Triumphs, Politics and Passions* and *The Real Tudors: Kings and Queens Rediscovered*. We expanded our list of non-exhibition-related 'trade' titles with *Moustaches, Whiskers & Beards*, *Pets in Portraits* and a new 'highlights' book, *National Portrait Gallery: A Portrait of Britain*. The year ended very well: the exhibition catalogue for *Sargent: Portraits of Artists and Friends* and our small tie-in paperback *Sargent: Painting Friends* attracted high sales, while *Bailey's Stardust* (which we recently published in an Italian edition) won a major industry award for 'Best Exhibition Catalogue'.

## **4) Increasing and Developing Resources**

### Financial summary



2014/15 has been a successful year for the Gallery in terms of meeting internal financial targets and audience development objectives, as well as achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport. The Gallery has nonetheless had to continue to adjust to the more difficult funding climate introduced with the 2010 Comprehensive Spending Review and subsequent Budgets, which have cut support from Government further. Notwithstanding these funding constraints and the difficult economic climate, the Gallery attracted over 2 million visitors during the year and ran two very successful fundraising campaigns which helped the Gallery earn significantly higher income than in the previous year.

### Voluntary income

This year was a successful period for the Development team. The number of individual donors supporting the Gallery increased significantly, and it is this growth, as well as very strong relationships with major trusts and foundations and in particular the Heritage Lottery Fund, that enabled the £10 million campaign to acquire the Van Dyck *Self-Portrait* to be such a success. Similarly the success of the £1 million *Portrait Fund Challenge* (to be matched through the HLF/DCMS *Catalyst:Endowment* award) has much to do with the growth in this area of support. Membership and Gift Aid exceeded targets, thanks in part to strong visitor demand for *Sargent: Portraits of Artists and Friends*. Corporate support remained a key income generator, with continuing strong long-term partnerships as well as new sponsoring partners, and income from venue hire was particularly good.

### *Individual Support (Patrons, Associates, Members)*

There were a record fifty-two Life Patrons and ninety-three annual Patrons with a 92% retention rate by the close of 2014/15. The Associates level of support was discontinued, with most members then rejoining as Patrons, Members or as members of the new category of Membership Plus. Following the success of the *Save Van Dyck* fundraising appeal and the £1 Million *Portrait Fund Challenge*, major donor activity focussed on unrestricted support, preparation for a capital campaign, and the Gallery's Portrait Circle. An anonymous, unexpected gift of £1.1 million was allocated to a range of Gallery projects. The number of Legacy pledges doubled following a targeted campaign. Improvements were made to Member communications, and retention rose to 68.5%. By the end of the financial year, Members numbered 11,103, and income targets for both Membership and Gift Aid were exceeded.

### *Development Board and Board of American Friends*

The Development Council, chaired by David Ross, continued to make many valuable contributions in advice and expertise, as well as through personal introductions, and their input and support are greatly appreciated.

The American Friends of the National Portrait Gallery (which, as of 2014, have a new President) continue to be keen to maximise opportunities for support. We are grateful for the ongoing work of the Board of American Friends: in 2014/15 they granted much needed support to projects including the £1 Million *Portrait Fund Challenge*, the *Save Van Dyck* fundraising appeal and *Sargent: Portraits of Artists and Friends*.

### *Save Van Dyck Fundraising Appeal*

The National Portrait Gallery and Art Fund's fundraising appeal to help the Gallery acquire Sir Anthony Van Dyck's final self-portrait concluded in May 2015, thanks to a major grant of £6,343,500 from the Heritage Lottery Fund (HLF). This substantial support followed the success of a public appeal involving 10,000 individuals donating over £1.44 million, in addition to £1.2 million from two generous private trusts and £1.2 million from the Art Fund and National Portrait Gallery's funds. In total, £10 million was raised to purchase the portrait, and a further £343,000 was raised to support a national tour of the painting, which will continue over three years, and will involve six regional museums and galleries. The extraordinary generosity of so many individuals and trusts, and the invaluable help and commitment of the Art Fund, made this the Gallery's most successful fundraising appeal.

## *Charitable Trusts and Foundations*

Charitable trusts and foundations continued to make a significant contribution to many aspects of the Gallery's work. The Gallery received support from the T.S. Eliot Estate for *Virginia Woolf: Art, Life and Vision*; while the Terra Foundation for American Art awarded the Gallery a grant for the *Sargent: Portraits of Artists and Friends* exhibition. *Picture the Poet*, which helps children improve their literacy skills through poetry and portraiture, was generously supported by Arts Council England and the Ernest Cook Trust.

## Activities for generating funds

### *Corporate Support*

The Corporate Partnership programme had eleven Partners in 2014/15, with one new company joining. We were delighted to welcome two first time sponsors, including Coutts for *Grayson Perry: Who Are You?* and Close Brothers for *Sargent: Portraits of Artists and Friends*. Multi-year partners continued to offer vital support, and included BP for the *Portrait Award*; the *J.P. Morgan Signature Series* and Herbert Smith Freehills as Spring Season sponsor. Taylor Wessing continued its sponsorship of the *Photographic Portrait Prize*, and announced the extension of this support until 2018. Continuing projects included Bank of America Merrill Lynch's support of the conservation of three Tudor portraits and Walgreen Boots Alliance's support for the *Later Victorian Portraits Catalogue – Medical Pioneers* research project.

On 9 February 2015 the Gallery hosted a special fundraising dinner, *The Artist Portrayed*, which was co-hosted by the then Gallery Director, Sandy Nairne, with artists Grayson Perry and Jonathan Yeo. The evening was a success, and through ticket sales and on-the-night fundraising activities, the Gallery raised over £137,000 of unrestricted funds - £50,000 over target.

### *Venue Hire*

2014/15 was a successful period for venue hire, with income over £50,000 higher than 2013/14 (excluding the income earned during the *Portrait Gala* in 2013/14), and the highest earned in the last five years. New venue hire clients included Ashmore Investment Management, Eden McCallum LLP, Microsoft and *Harpers Bazaar*.

Corporate Partners and Sponsors' venue hire activity fluctuated over this period, due to varying hospitality needs and the Gallery's exhibition programme. However, during 2014/15 the income totals for both corporate and private hires exceeded budget.

### *Trading company*

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, earned profits of £1.045 million, which it will Gift Aid to the Gallery. The Company's business includes retail, venue hire and the catering franchise. The profit earned in 2014/15 exceeded that earned in the previous year (£715,000) by 46%, and was the highest profit earned by the Company since it began trading in 2007. This profit was assisted from strong performances by the Gallery's successful exhibition programme, which included *Bailey's Stardust, Anarchy & Beauty: William Morris and His Legacy, 1860-1960* and *Sargent: Portraits of Artists and Friends*, as well as the highly successful *Grayson Perry: Who Are You?* display, all of which attracted large numbers of visitors. However, trading figures at the start of the year were lower than the budget, caused by lower than target visitor numbers to *Bailey's Stardust*. This affected in particular the Company's retail business, which struggled to achieve its budgeted profit during the year after a difficult first quarter. Nevertheless sales by the year end were 26% higher than in 2013/14 and finished with profits of £491,000, just £45,000 behind the budgeted target for the year. Venue hire had a very good year and posted strong profits of £374,000 in the year, exceeding its budgeted target by £82,000. The catering franchise also performed well, exceeding its budgeted commission of £450,000 by £15,000.

## *Retail*

2014/15 saw Retail achieve its highest ever sales figures of £2.48million (surpassing the £1.99 million achieved in 2013/14, which was a record year), albeit that profits for the year were £45,000 behind budget. The result was an increase of over 25%, achieved against a visitor figure increase of just 5%. The first full year of the Exhibition Shop contributed to this success, but the highly successful exhibition ranges for *Virginia Woolf: Art, Life and Vision* and *Anarchy & Beauty: William Morris and His Legacy, 1860-1960* played a large part, as did the phenomenally successful range produced to accompany *Grayson Perry: Who Are You?*. The Retail team maintained a strong focus on 'core ranges' and 'seasonal' opportunities, with Christmas sales up 25%. Together, this resulted in average transaction values increasing by over 21%. The challenge going forward will be to maintain the current momentum in the light of broadly static visitor numbers.

## *Rights & Images (Picture Library)*

It has been a busy year for the Rights & Images team. Image licensing income remains the mainstay of the budget. To continue offering an excellent service to our customers we have been working on a new licensing website, launched in 2015. The academic and non-commercial licensing services are expanding and developing, and we continue to grow the number of merchandise licensees, enjoying good success with cushion and stationery licensees over the last year. We keep abreast of changes to UK copyright law through involvement in industry-wide forums.

## *Catering franchise*

Overall the Portrait Café and Portrait Restaurant had another good year, delivering slightly higher commission than budgeted for the year. This was a particularly good result as the Portrait Restaurant was closed for four weeks from early January. Overall income earned from the catering franchise in the year was £465,000, which was £44,000 (10%) higher than the income earned from the franchise in the previous year.

## *Investment and Other income*

The Gallery receives a small amount of investment income from bank interest and dividend payments. This amounted to £21,000 in 2014/15, compared to £18,000 earned in 2013/14. The amounts held in interest bearing accounts provide the Gallery with its immediate working capital requirements, but the interest rates applicable to them remained low. However, the majority of the Gallery's reserves are invested in portfolios under management with the Gallery's investment managers, Partners Capital LLP. These investment portfolios appreciated in value by £1.2 million, net of additional investments, disposals and management fees, compared to their values as at 31 March 2014. This excludes the Catalyst Fund portfolio, which was created in the year, but in that time it appreciated in value by £36,000. The increase was in the form of an unrealised gain. Notes to the accounts (Notes 8 and 9) include information about the Gallery's investments, as does the Investment Policy section later in this narrative. Other income increased by 12% compared to 2013/14.

## Effectiveness and efficiency

### *Buildings and facilities*

The Gallery sought to maximize effectiveness and efficiency through rigorous contract management and partnership working on key contracted arrangements. This more strategic approach demonstrated best practice and efficiencies, and will continue long term. In early 2015 the Engineering contract was re-procured using an established framework aligning the expiry of this service with the National Gallery's contractor. Over the next two years both institutions will jointly review their contracted services.

## Staff

### *Introduction (including Recruitment)*

Over the year, employee turnover increased from 16% in the previous year (2013/14) to 19%. The main reason for leaving was 'Other Job and/or Career Progression', which stood at approximately 10% with a further 3.5% relating to 'Retirement' and 'Relocation'. As a result, recruitment activity across the Gallery continued to be vigorous. A total of sixty-four external campaigns were managed by the Personnel department to replace core staffing positions lost through natural turnover, as well as the need to meet temporary staffing requirements to cover exhibitions such as *Bailey's Stardust*.

The average number of staff sick days taken in 2014/15 fell to 3.4 days per member of staff (excluding staff on long term sick), from 4.5 days in 2013/14. Staff absence at the Gallery continues to remain below the average number of day's sick absence for the public sector of 7.9 days, according to the Chartered Institute of Personnel and Development's 2014 Absence Management Survey.

### Training

The Gallery continued to increase management capabilities with our eighth group of managers completing the Institute of Leadership and Management (ILM)-accredited Management Development Programme, and we introduced Action Learning Sets to integrate their learning from the programme and to continue their development. We also held courses in Media and Presentation Skills, Copyright Law and Mindfulness. Managers were given training on the updated Gallery Alcohol and Drug Policy and Safeguarding Children and Adults at Risk Policy. We worked with the Museum of London on our second Mentoring Programme with twenty of our staff, with others joining from the National Gallery, Royal Academy and the British Library. Our Visitor Services Management team completed a Leadership workshop, and we continued our Business Coaching for young people leaving care in partnership with Westminster Council, BNP Paribas and St Martin-in-the-Fields.

### Diversity

We launched new Equality and Unconscious Bias Training, co-designed with the charity Changing Faces, for all staff, with members of the Gallery's Equality Steering Group co-facilitating the workshops. We provided staff development training for visitor-facing staff in conjunction with the *Grayson Perry: Who Are You?* display, and members of staff attended Action on Hearing Loss Sign Language training. Our first cohort of Apprentices completed their two year contract and all four are working at the Gallery, along with four new Apprentices who joined this year who will gain their technical qualifications with the V&A and Kensington and Chelsea College. The Gallery participated in two further rounds of the *Creative Employment Programme* (funded by the Arts Council and Creative Sector Skills), employing six unemployed young people (who gained work experience and on the job training) for six months. The Gallery offered twenty-four work experience placements to Year 10 students from local state schools, and continued to participate in school career days and employability workshops with Job Centre Plus.

The composition of the Gallery's workforce in 2014/15 was 83% white, 17% black and minority ethnic, 35% male, 65% female, 2.3% disabled and 43% part time employees.

During 2014/15, the Gallery received valuable support from volunteers as follows:

Department	Full-time equivalent
Increasing understanding and engagement with the Collection	3.0

The Gallery also provided work experience and internship opportunities across its departments as follows:

Department	Full-time equivalent
Extending and broadening audiences	0.2
Developing the Collection	0.3
Increasing understanding and engagement with the Collection	1.4
Maximising Financial Resources	0.8
Support	2.0

## Improving our services and sustainability report

A number of improvements in both service and infrastructure were reviewed and delivered during 2014/15. The Engineering contract was re-tendered, and improvements were made to the main Gallery building; most notably the refurbishment of WCs (including the accessible WCs and baby changing facilities). The Portrait Restaurant was totally refurbished and the kitchen facilities improved.

Following the success of a Greater London Authority (GLA) grant, Wi-Fi was installed across the Gallery, in the Ondaatje Wing Theatre, in the Portrait Café and in the Portrait Restaurant. Visitors are now able to interact more closely with the Gallery and in future will be able to receive a more tailored service. This installation has also aided the Engineering teams, who are now able to control the Building Management and Lighting Systems via mobile devices throughout the Gallery space.

### *Sustainability report*

The Gallery is required to prepare a sustainability report which provides a brief overview covering the Gallery performance on sustainability in the year. This is the first occasion on which the Gallery has had to provide such a report and therefore its reporting mechanisms are at a rudimentary stage at this point.

The Gallery continues to make progress in reducing its environmental impact and is a leader in the sector. There has been significant investment over the past six years, with the introduction and upgrading of lighting systems to LED and low energy fittings. We continue to improve and develop the Building Management System, which controls the environment of the Gallery space, and to explore energy management initiatives such as plant optimisation. Honey continues to be harvested from the hives on the roof of the Gallery offices, and is sold in the main Gallery Shop.

Area		2014-2015 Performance	UK Electricity CO <sub>2</sub>	Transmission & Distribution CO <sub>2</sub>
<b>Greenhouse Gas Emissions (Scopes 1,2 &amp; 3 ) tCO<sub>2</sub></b>		<b>Actual</b>	kg CO <sub>2</sub> e = 0.49426	kg CO <sub>2</sub> e = 0.04322
Estate Energy (Scopes 1&2)	Consumption (Kwh) Expenditure (£)	5,576,939 £410,201.76	2,756,458	241,035
Consisting of				
Electricity Gallery (Scope 2)	Consumption (Kwh) Expenditure (£)	2,458,876 £252,017.64	1,215,324	106,273
Electricity Restaurant (Scope 2)	Consumption (Kwh) Expenditure (£)	193,130 £29,456.48	95,456	8,347
Gas Gallery (Scope 1)	Consumption (Kwh) Expenditure (£)	2,700,242 £88,626.84	1,334,622	116,704
Gas restaurant (Scope 1)	Consumption (Kwh) Expenditure (£)	224,691 £9,459.95	111,056	9,711
Business Travel (Scope 3)	Emissions (CO <sub>2</sub> ) Expenditure (£)	N/A N/A		

### *Waste and Recycling*

82% of the Gallery's waste (such as paper, glass, card, cans, batteries and printer cartridges) was recycled during 2014/15. The remaining 18% was diverted to an incineration plant where it was used



to generate electricity back into the National Grid. Food waste was 100% recycled using an anabolic digestion process which, when complete, returns the waste to crops as fertilizer.

The collaboration with the National Gallery for art transportation services helped to reduce the Gallery's Carbon Footprint. We have reviewed advice from the Bizot Group in conjunction with potential carbon reduction generated from varying the environmental conditions within the Gallery.

All future projects include measures that minimise energy use over the life of the project with a focus on sustainability.

Estate Waste Recyclables	Amount (Tonnes) Expenditure (£)	101 £8,158.62
Estate Waste General (HTI)	Amount (Tonnes) Expenditure (£)	119 £6,340.52
Estate Waste General (Food)	Amount (Tonnes) Expenditure (£)	77 £7,628.94
Estate Waste Glass	Amount (Tonnes) Expenditure (£)	46 £847.50

Estate Water (Finite resource consumption)	Consumption (M <sup>3</sup> ) Expenditure (£)	14,612 £30,640.85
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### *Visitor Services*

The Visitor Services and Security team continued to make improvements in the ways in which the team operated on a day-to-day basis, as well as developing and improving ongoing visitor engagement initiatives. The *Portrait of the Day* programme (which involves members of Visitor Services and Security staff giving talks in the Gallery space) remained very popular, increasingly gaining a loyal following of repeat visitors as well as engaging new visitors.

The introduction of a new digital radio system improved communication between the Visitor Services and Security team, and provided the opportunity to integrate other security and safety systems – facilitating a more effective incident response. The installation of roster software, purchased at the end of the year, will greatly assist with the daily deployment of Visitor Services and Security staff, ensuring appropriate staffing levels are maintained.

### *Services to research and readers*

Use of the Heinz Archive and Library increased with over 1,300 visitors and nearly 2,400 enquiries. Usage of the web-based archive and library catalogues more than doubled with an average of 3,760 hits a month. Nineteen Higher Education sector group visits booked in to the Public Study Room for staff-led introductions to the Collection and resources. In addition, staff promoted the Archive and Library to post-graduate students and independent researchers at the History, Libraries and Research Open Day at Senate House on 20 January 2015. Staff worked with colleagues in the Learning department on the *National Memory-Local Stories* project, and hosted a visit by pupils from Wanstead High School in July 2014. Over the course of the year, twenty-seven Freedom of Information requests and two requests for internal review were handled. Work to produce departmental retention schedules, rationalise the file structures of the shared drives, and identify and archive e-records for permanent retention continued.

### *Records and information*

Cataloguing of regularly accruing series of the Gallery's Records continued and, until the expiry of the part-time Records Manager contract, e-records required for permanent retention were identified and transferred to the archive drive and catalogued onto the archive system CALM. Approximately 65%

of the Library has been re-catalogued onto the library management system EOS and a project has been set up to catalogue the historic collection of auction catalogues, but further retrospective work has been suspended for the time-being.

The National Portrait Gallery has suffered no protected personal data incidents in 2014/15 and has made no such report to the Information Commissioner's Office.

### *Governance*

Upholding the highest standards of governance through the accountability and transparency of management processes, decision-making and communications continued to be a key aim. Actions taken to strengthen governance included updates and revisions to policies covering Archive and Records Management, Exhibitions and Displays, Acquisitions and Disposals, together with a redraft of the Information Security Policy for finalisation in 2015/16.

Mary McCartney's term as a Trustee ended in February 2015 and the Gallery is working with the DCMS to appoint a successor. Also in February, the Gallery's Director, Sandy Nairne, retired after twelve highly successful years. His replacement, Dr Nicholas Cullinan took up the post of Director in mid April 2015, and in the interim the Gallery's Deputy Director, Pim Baxter, took on the role of Acting Director and Accounting Officer.

## **FINANCIAL REVIEW**

### **Presentation**

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

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

As required by the SORP, the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2014/15 and beyond. The Statement of Financial Activities apportions the cost of support services (directorate, personnel, finance, IT, utilities, maintenance, communications and office expenses) and depreciation across the various headings of cost of generating funds and charitable expenditure.

### **Financial Performance**

2014/15 was a successful year, with a record number of visitors visiting the Gallery. The Gallery held two large exhibitions in the year, *Man Ray Portraits* and *Bailey's Stardust*, the latter covering most of the Gallery's Ground Floor. Both exhibitions were very well attended. These two exhibitions were complemented by two smaller exhibitions, *Elizabeth I and Her People* and *Laura Knight Portraits*. Both these smaller exhibitions attracted more than their budgeted visitors, as too did the *BP Portrait Award* held during the summer. The Gallery continued to attract support and donations for its *Catalyst:Endowment* match funding scheme, and in November it embarked on a major public appeal with the Art Fund to acquire for the nation a self-portrait by the seventeenth century Dutch master, Sir Anthony Van Dyck. This activity helped the Gallery to a strong financial performance during the year, with significantly higher income earned than in the previous year. The Gallery also achieved good results across the range of performance indicators agreed with the Department for Culture, Media and Sport.

### Statement of Financial Activities

During the year, the Gallery received £6,984,000 (£7,040,000 in 2013/14) in grant-in-aid from DCMS, a 0.8% decrease on the previous year. Grant-in-aid represented 24% of total income received in 2014/15, (38% in 2013/14).



Overall, total incoming resources were 53% higher than in 2013/14, with self-generated income being 86% higher. This outturn was driven primarily by the very successful Van Dyck self portrait fundraising appeal, as well as a strong performance from the *Catalyst:Endowment* match-funding appeal.

Gross self-generated income represented 76% of total income, compared to 62% in 2013/14. The strongest income earning performance was provided by Voluntary income, with income up 190% compared to the previous year, followed by Exhibition programme and sponsorship income, which increased by 96%. The increase in Voluntary income was as a result of the Van Dyck and *Catalyst:Endowment* fundraising appeals. Exhibition and programme sponsorship benefitted from increased support from an anonymous donation of £1.14 million as well as significant support from a variety of sources for the *Sargent: Portraits of Artists and Friends* exhibition. Income from trading activities, both charitable and non-charitable, produced a 23% increase in income compared to the previous year. Retail and Gallery hire earned their highest income to date, although for Retail it proved to be a difficult year for trading, with income being lower than the budgeted target set.

Overall, resources expended increased by 2.6%. The increase was mainly as a result of increased staff costs, some of which related to the annual pay agreement and some related to the introduction of pension auto enrolment which added to the number of staff enrolled into the Gallery's pension schemes. Support costs, excluding depreciation increased by 0.4%, which was below the prevailing inflation rate for the year.

Total staff costs as a proportion of total resources expended remained the same at 52%, compared to the previous year. Total staff costs increased by 3% over the two years.

The table on page 32 demonstrates that the Gallery performed well against the majority of performance indicators included as part of the Gallery's Management Agreement with DCMS.

## Balance Sheet

### *Unrestricted Funds*

The brought forward Unrestricted Funds balance of £10.4 million increased by £0.5 million during the year, as a result of an increase in the Gallery's free reserves, which was offset slightly by the depreciation in the value of its plant and machinery. The closing balance was £10.9 million of which £6.1 million represents capital assets – plant and machinery and furniture and equipment - funded from self-generated income (which are therefore not available to spend). £4.5 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2015/16 (held in the Deferred Projects Fund). The General Fund remains at £300,000, being at least three quarters of the stock value held at the Gallery. Going forward, it will be important for the Gallery to maintain a healthy unrestricted reserve to ensure it has sufficient funds to finance its key activities during what is likely to be a prolonged period when the public sector finances will be under continuing strain.

### *Restricted Funds*

The brought forward Restricted Funds balance of £104 million was increased by £12.2 million, primarily as a result of the acquisition of the Van Dyck self portrait and the additional income fund-raised for the *Catalyst:Endowment* match funding scheme. The closing balance of £116.4 million consists of £23 million representing the Gallery's land and buildings, £58.6 million of revaluation gains on the Gallery's land and buildings, and £24.7 million representing the value of the Gallery's capitalised collections; none of these amounts is therefore available to spend. The balance of £9.8 million represents The Portrait Fund, together with funds donated and available for the restricted purposes of grant-funded projects to be completed and the acquisition of specified categories of portraits. This includes the amount the Gallery has fundraised in relation to the HLF's *Catalyst:Endowment* scheme, together with the amounts in match funding it has drawn down from the scheme to date.

## Fixed Assets

The principal fixed assets represent the depreciated value of the St Martin's Place and the Orange Street buildings which were re-valued professionally at 31 March 2014. In accordance with Treasury guidance, the Gallery has adopted a policy of using appropriate indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery, in the years when they are not professionally re-valued. Other classes of assets have been valued on an historic cost accounting basis. The net book value of St Martin's Place and Orange Street, including fit-out but excluding plant and machinery, at 31 March 2015 was £82 million.

## Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2014/15 the Gallery paid approximately 71% of its invoices within 30 days of the invoice date, compared to 70% in 2013/14. However it paid 94% (91% in 2013/14) of the invoices within 30 days of receipt of the invoice, in accordance with its terms and conditions of purchase.

## Investment Policy

Investments are held in accordance with the Trustees Act 2000. A proportion of surplus cash is held on deposit with National Westminster Bank Plc. This provides daily access while earning interest, but also maintaining an adequate level of liquidity necessary for the payment of current liabilities.

The majority of the Gallery's cash reserves are held in investment portfolios under management with the Gallery's investment advisors, Partners Capital LLP. In 2009/10 the Gallery established an Investment Committee with the purpose of preparing an investment strategy for the Gallery's and Portrait Fund's cash reserves. The Committee is chaired by a Gallery Trustee - Allegra Berman. The Committee includes Lord Janvrin, as the other Trustee representative. The Committee also includes three external members, Anthony Brooke, Jeremy Sillem and Ben Whitmore. The Committee's role is to monitor the funds invested by Partners Capital LLP and ensure that the funds are invested in compliance with the agreed Investment Strategy.

The Gallery and Portrait Fund's Investment Strategy is based on a consideration of the risk, return and cash flow requirements arising from each reserve fund. The strategy is implemented through investment in three portfolios managed by Partners Capital LLP. The market value of the Gallery's investment was £11.7 million, and of this, £7.8 million related to the Portrait Fund's and Catalyst Fund's restricted long and short term investments combined.

Investment levels and reserves are reviewed frequently and when necessary investments are sold to realise gains and make cash available. The investment objectives of each reserve, in terms of the general objective of its portfolio of funds and the performance objective of the portfolio, are as follows:

Fund	Portfolio objective	Performance objective
Portrait Fund Reserve:	To assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation.	The chosen investment portfolio is designed by Partners Capital to target 4% per annum real returns, (or 6% nominal returns after assumed long term inflation of 2%).
Long term:	Long term total return, looking for modest capital appreciation. Investment timeframe of up to 5 years.	
Short term:	Preservation of capital the highest priority. Investment timeframe of 12 months.	

Catalyst Fund	As for the Portrait Fund	As for the Portrait Fund
Investment and Contingency Fund Reserve	<p>A designation of surpluses to be invested in projects in accordance with the reserves policy.</p> <p>Preservation of capital the highest priority. Investment timeframe of up to 12 months.</p>	The chosen investment portfolio is designed by Partners Capital to target 1.7% per annum real returns, (or 3.7% nominal returns after assumed long term inflation of 2%).

Fund performance is measured against agreed benchmarks, and an asset allocation profile is agreed for each fund. The investment and performance objectives are reviewed annually to ensure that they are achievable within prevailing and potential future market conditions, given the Gallery's and Portrait Fund's needs for liquidity and appetite for risk. Portfolio rebalancing normally occurs at each Investment Committee meeting (usually three times a year), but may be taken on a more frequent basis where required in response to market conditions. There is no leverage (borrowing to invest) at the portfolio level. Funds may not invest in illiquid assets (defined as assets that cannot be liquidated for cash within 18 months under normal redemption terms).

Where practicable, investments are made in Sterling denominated securities or in collective investment funds that have a Sterling hedged share class to minimize exposure to non-Sterling currencies. However, the investment portfolios include investments in overseas assets so some non-Sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive.

By the end of the year, the Portrait Fund portfolio had appreciated in value by £360,000 (5.6%), net of management fees and also net a sum of £400,000 provided towards the acquisition of the Van Dyck self-portrait. The Investment and Contingency Fund portfolio had appreciated in value by £418,000 (12%) over the same period, net of management fees. Both portfolios had benefitted from the strong performance of equities and fixed income investments in the year. However, world markets were volatile over the period and it was becoming increasingly difficult to identify an asset class that was not subject to this volatility. The situation had been exacerbated by the precipitous drop in the oil price and slower than expected global growth, which made it difficult for investors to predict the outlook for future interest rates. As a result, volatility across most asset classes would continue to be high, and as precaution, the investment advisors had sought to reduce the duration risk across the portfolios and also exposure to emerging markets.

During the period the Gallery transferred to Partners Capital the funding which it had raised as part of the Heritage Lottery Fund's *Catalyst:Endowment* match funding scheme, to invest. The Catalyst Fund portfolio stood at £944,000 as at 31 March and been constructed to mirror the Portrait Fund, given that the Catalyst Fund would be eventually subsumed into the Portrait Fund when the *Catalyst:Endowment* match funding scheme ended.

The Gallery also changed the nature of its relationship with the investment advisors in the period, moving from its status as a retail client to an elected professional client, and also moving from Partners Capital providing an advisory service to them providing a discretionary service. These changes were undertaken to ensure that the Gallery continued to have access to a wide selection of investments from which to choose. The Investment Strategy and more detailed Investment Policy Statement were reviewed by the Investment Committee and updated to reflect the new relationship status.

### Reserves Policy

The Trustees perform an annual review of the Gallery's needs for reserves in line with the guidance issued by the Charity Commission. On average, around 40-50% of annual income is received as recurrent grant-in-aid from the government. The balance is derived from self-generated income which is mostly volatile and vulnerable to the prevailing economic climate. The Gallery has no general

endowment and only a modest endowment for the support of the acquisition of major portraits (see below).

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

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

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

Approximately £500,000 of the £4.2 million balance as at 31 March 2015 has been allocated and earmarked to specific projects for these purposes in 2015/16. A further £0.55 million has been set aside for contingencies, consisting of £0.3 million held as contingency against unforeseen expenditure and short-term losses of income and £0.25 million held in order to smooth fluctuations on baseline expenditure which needs to be averaged across several years, such as the exhibitions programme. Any balance (up to £0.25 million per annum) allows the Director to take advantage of unexpected opportunities during the year. The fund is replenished with one-off unrestricted income (apart from legacies designated for The Portrait Fund as below) and with any annual surplus in excess of the balance maintained in the General Reserve.

The Deferred Projects Fund represents underspends generated in the previous financial year, which are to be employed in specific projects, usually in the current financial year; the full balance of £244,000 is expected to be spent in 2015/16.

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

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

### Related Parties

The Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department. More information on the Gallery's related party transactions is included in Note 23.

## **REMUNERATION REPORT**

The following sections provide details of the remuneration and pension interests of the Gallery's most senior management, consisting of the Director, Sandy Nairne CBE, and the Deputy Director, Pim Baxter.

### Service Contracts

Appointments of the Gallery's Director and Deputy Director are made on merit and on the basis of fair and open competition.

The Director has a permanent contract of employment, effective from November 2009, with a six month notice period and its terms are agreed with the Department for Culture, Media and Sport. Prior to this, he was employed on a seven year fixed term contract of employment. The Director's

contract is open ended. Early termination, other than for misconduct, would result in the Director receiving compensation as set out in the Civil Service Compensation Scheme.

The Deputy Director holds an appointment which is also open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Gallery generally appoints posts on a two year fixed term basis except for those posts that are regarded as essential to the smooth running of the Gallery and these are appointed on a permanent basis. Notice periods are between one and three months depending on the level of the post and length of service. Early termination other than for misconduct may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

### Audited Information

Remuneration paid to the Director and the Deputy Director during the year was as follows – figures in the table are audited information:

Name	Salary £000		Bonus payments £000		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total £000	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Sandy Nairne <i>Director (to Feb 2015)</i>	100-105*	110-115	15-20	10-15 (re-stated)	-	-	47,000	4,000	165-170	130-135 (re-stated)
Pim Baxter <i>Deputy Director</i>	80-85	70-75	Nil	Nil	-	-	31,000	10,000	110-115	80-85
	2014-15						2013-14			
Band of highest paid director's total remuneration (£000)	130-135						125-130 (re-stated)			
Median Total Remuneration (£)	22,191						21,093			
Ratio	6						6 (re-stated)			

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded, annualised remuneration of the highest-paid director in the Gallery in the financial year 2014/15 was £130-135,000 (2013/14, £125-130,000, re-stated following confirmation of the 2013/14 bonus payment). This includes his performance bonus which has been included at the full, annualised amount. This was 6 times (2013/14, 6 when re-stated) the median remuneration of the workforce, which was £22,191 (2013/14, £21,093).



In 2014/15, no employee received remuneration in excess of the highest-paid director, (likewise for 2013/14). The annualised remuneration ranged from £13,000 to £130,000 (2013/14, £13,000 to £126,000).

Total remuneration includes salary, non-consolidated performance-related pay (where it applies) and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. None of the above mentioned senior staff received any benefits in kind in 2014/15 (none also in 2013/14).

The Trustees neither received nor waived any emoluments during the year (none also in 2013/14). Expenses reimbursed or paid on behalf of two Trustees amounted to £552, all relating to travel and subsistence (in 2013/14, £392 for travel and subsistence for two Trustees).

### Salary

“Salary” includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Performance pay or bonuses paid, (Director’s salary only), are disclosed separately.

The Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee and is composed of the members of the Audit and Compliance Committee (see page 30) and the Chairman of the Trustees. Once a year the Chairman leads a discussion on the Director’s work, against the objectives agreed at the previous meeting of the Committee, in order to recommend to the Board the awarding of any performance related pay. The Director’s bonus can be up to 15% of his annual salary, subject to performance against the agreed objectives for that period. An element of the bonus up to a value of 1.5% of his annual salary can be consolidated, although this may vary in line with guidance issued by HM Treasury from time to time.

The annualised salary of the Director, Sandy Nairne, was £113,325\* and he was paid a non-consolidated bonus of 15%, which has been pro-rated to reflect that he did not serve a full year, amounting to £15,691. In 2013/14 the remuneration of the Director, Sandy Nairne, was £111,650, and a bonus of £13,956, which consisted of a consolidated element of £1,675 and a non-consolidated element of £12,281.

The remuneration of the Deputy Director, Pim Baxter, is set out in her contract and subject to the annual pay review framework for all staff. Her salary does not include any performance related pay or bonuses. During the year her salary was increased in recognition of the increased management role she performed at the Gallery and in particular for the responsibility her role now undertook for the development of the *Inspiring People* project – formerly referred to as the 2020 Plan.

## Pension benefits

Name	Real increase in pension as at 31/3/15 and related lump sum £000	Total accrued pension at age 60 at 31/3/15 and related lump sum £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Sandy Nairne <i>Director (to Feb 2015)</i>	2.5-5.0 Plus lump sum of 0-2.5	50-55 Plus lump sum of 0-2.5	1,006	961	45	-
Pim Baxter <i>Deputy Director</i>	0-2.5 Plus lump sum of 2.5-5.0	15-20 Plus lump sum of 50-55	398	364	30	-

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.



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

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>.

### Cash Equivalent Transfer Values

The above table shows the Director's and Deputy Director's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Reporting of Civil Service and other compensation schemes - exit packages

Following consultation between HM Treasury and Government Departments the Gallery must now provide summary data on its use of exit packages, in addition to any details it might have disclosed about the individual packages for those senior staff covered by the Remuneration Report. It must show the number of exit packages according to cost band, analysed by the number of compulsory redundancies and the number of other departures agreed. This information relating to exit packages agreed in 2014/15 - and the prior year - is provided in the table below, and is also audited information. There were no exit packages agreed during 2014/15.

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of packages by cost band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
<£10,000	-	-	-	-	-	-
£10,000 - 25,000	-	-	-	1	-	1
£25,000 - 50,000	-	-	-	1	-	1
£50,000 - 100,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	-	-	<b>2</b>	-	<b>2</b>
<b>Total cost in £</b>	-	-	-	<b>64,554</b>	-	<b>64,554</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Gallery has agreed early retirements, the additional costs are met by the Gallery and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chairman of Trustees  
2 July 2015

## THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2014 and 2 July 2015, the date on which the accounts were signed, the Trustees were:

Dr Brian Allen  
Ms C. Allegra Berman ‡  
Professor Dame Carol Black DBE\*  
Dr Rosalind P Blakesley  
Dr Augustus Casely-Hayford  
Kim Evans OBE\*  
The Rt Hon The Lord Janvrin GCB GCVO QSO ‡ #  
Dr Joanna Kennedy OBE FREng FICE (from 10 June 2015)  
Mary McCartney (to 20 February 2015)  
Sir William Proby Bt CBE DL (Chairman)  
Dr Andrew Roberts  
David Ross \* #  
Stephan Shakespeare  
Dame Marina Warner DBE FRSL FBA

### *ex officio*

President of the Royal Academy of Arts – Christopher Le Brun  
Lord President of the Council – The Rt Hon Nick Clegg MP (to 7 May 2015)  
Lord President of the Council – The Rt Hon Chris Grayling MP (from 10 May 2015)

\* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Mr David Ross. Mr Stephen Souchon is co-opted on to the Audit and Compliance Committee to provide specialist accountancy knowledge (for a period of two years from July 2013). Mr Neil Spence and Dr Jacqueline Riding were appointed as additional co-opted, independent members of the Committee to increase its knowledge of museum and gallery operations and public sector and charity finances. Both were re-appointed for two year terms, expiring in May 2015 and June 2015 respectively.

# Development Council members. The Development Council was reformatted in April 2011 and David Ross is its Chair. Members meet individually with the Director and Deputy Director throughout the year, rather than attending formal Board meetings.

‡ Investment Committee members. The Chair of the Investment Committee during the year was C. Allegra Berman.

## EXTERNAL ADVISERS

Bankers: National Westminster Bank  
2<sup>nd</sup> Floor  
Argyll House  
246 Regent Street  
London W1B 3PB

External Auditors: Comptroller & Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

PKF Littlejohn LLP  
Chartered Accountants  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

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

Michelmores LLP  
Woodwater House  
Pynes Hill  
Exeter  
Devon EX2 5WR

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2014/15. The audit fee in respect of this work was £33,500 (£33,500 in 2013/14). PKF Littlejohn LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £9,275 (£9,050 in 2013/14).

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

Internal Auditors: Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

Investment Advisors: Partners Capital LLP  
5th Floor  
5 Young Street  
London W8 5EH

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chairman of Trustees  
2 July 2015

## PERFORMANCE AGAINST 2014/15 MANAGEMENT AGREEMENT INDICATORS

The Gallery's Management Agreement with the Department for Culture, Media and Sport, signed in July 2014 contains 12 separate performance indicators. The table below includes the 12 indicators stipulated by in the Management Agreement. A number of the indicators stipulated in the Management Agreement were new and the statistics had not been collected in years prior to 2014/15. These indicators are reviewed annually and revised where appropriate. Summarised performance is given below and further reference within the relevant context is made within the Annual Report.

Core target	Note	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,834	1,984	1,758	2,048	2,054	1,988	2,082
Number of unique users visiting the website (000s)		*15,546	12,205	13,725	‡3,214	3,626	4,103	4,213
Number of visits to the Gallery by children aged under 16 (000s)		*173	157	118	134	161	145	159
Number of overseas visits (000s)		680	712	612	821	923	802	783
Number of facilitated and self-directed visits to the Gallery by visitors aged under 18 in formal education (000s)	2							45
Number of instances of visitors under 18 participating in on-site organised educational sessions (000s)	2							3
% of visitors who would recommend a visit	3	98	99	93	97	97	97 (Restated)	96
Total amount of charitable giving (£000s)	4						5,140	8,095
Ratio of charitable giving to grant-in-aid							0.7:1	1.2:1
Net profit from trading company (£000)		449	444	406	765	686	715	1,045
Income from Exhibition Admissions and touring (£000)		2,063	1,716	990	1,955	2,640	2,230	2,147
Number of UK loan venues		*108	165	133	118	118	142	144

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

‡ The method of reporting of website visits was changed to one based on Google Analytics, which gives a more accurate picture of web usage. The figures for 2011/12 were re-stated to reflect web visit figures based on Google Analytics, to provide a comparator to the statistics for future years.

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

Note 2: These are new performance indicators introduced with the 2014 Management Agreement and before 2014/15 statistics relating to under 18 visits were not compiled, hence at this point there is no prior year comparator.

*Note 3:* Equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery.

*Note 4:* Charitable includes gross income from activities which involve seeking financial support from, e.g. sponsors, private benefactors, charitable trusts. This includes Voluntary Income (less any Lottery funding) and Exhibition and programme sponsorship income.

## STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

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

In preparing the National Portrait Gallery's accounts the Board of Trustees is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the National Portrait Gallery. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Portrait Gallery's assets, are set out in *Managing Public Money* published by the HM Treasury.

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chairman of Trustees  
2 July 2015

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



## GOVERNANCE STATEMENT

The Accounting Officer and the Chairman of Trustees (as representative of the Board of Trustees), have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Portrait Gallery's policies, aims and objectives, whilst safeguarding the public funds and Gallery assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

### **The National Portrait Gallery's governance framework**

The National Portrait Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport (DCMS). The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. The Gallery has a Management Statement and Financial Memorandum with the DCMS which defines the Gallery's status as a Non Departmental Public Body and outlines the processes and procedures the DCMS expect the gallery to observe when managing public funds. Funding from Government is provided in the form of grant-in-aid and how the Gallery deploys this funding is laid out in a Management Agreement with DCMS. The Management Agreement includes twelve key performance indicators upon which the Gallery is required to report, and the results are included on pages 32 and 33 of this report, together with the results from prior years where these are possible to provide.

A Board of sixteen Trustees (including the Gallery's two ex-officio Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation, as prepared by the Director and the Senior Management Team, and in ensuring that the Gallery fulfils its statutory obligations. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. There is a committee of the Board which covers Audit and Compliance, and another which advises on senior staff remuneration. The Gallery also has a Development Council to support fundraising initiatives, and an Investment Committee with a mix of Trustees and independent members to manage the investment of its cash reserves. There were some changes in the membership of the Board during the year and these are noted on page 30 of the report narrative.

For much of the accounting period, the Director of the Gallery was Sandy Nairne CBE, who was also the Accounting Officer. Sandy Nairne retired in February after serving twelve years as the Gallery's Director. Dr Nicholas Cullinan was appointed as Sandy Nairne's successor and he took up his post on 14 April 2015. During the interim period, Pim Baxter, Deputy Director, took on the role of Acting Director and Accounting Officer. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning, its internal control and risk management processes and its external representation. As Accounting Officer, the Director is personally responsible, along with the Chairman of Trustees, for safeguarding the public funds and Gallery assets, in accordance with the responsibilities assigned to him in *Managing Public Money* and ensuring compliance with the requirements of the Gallery's Management Statement and Financial Memorandum.

The Audit and Compliance Committee is responsible for independent oversight of the Gallery's affairs. It receives reports annually from the internal and external auditors so that members of the Committee can assure themselves that the Gallery's affairs are managed economically, efficiently and within the powers delegated to it. The Committee also assesses and advises on the systems by which the Gallery manages and mitigates risk throughout the organisation. The Chair of the Committee advises in the event of any unexpected threat to the Gallery's resources, operations or reputation. The Audit and Compliance Committee generally meets ahead of the plenary Board meeting so that Board level matters can be considered and discussed at the Committee meetings and then communicated to the Board.

The Senior Staff Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance

Committee, and is composed of the members of the Audit and Compliance Committee and the Chairman of Trustees.

The Investment Committee is appointed by the Board of Trustees to monitor the funds invested by the appointed investment consultants and ensure that the funds are invested in compliance with the agreed Investment Strategy. The Committee is chaired by a Trustee but also includes independent co-opted members who have particular skills in investment management.

The Development Council consists of Trustees - one of which chairs the Council - and independent members that have strengths in different industries and social networks, and who act as senior volunteer advisers to the Gallery's Development department on priority fundraising projects. They act as high profile advocates of the Gallery's work in both a professional and private capacity.

While responsibility for financial oversight rests with the whole Board of Trustees, the Board invites one of its members to act as Finance Trustee and to report to the Board on budgetary matters and financial planning. This role focuses on the financial health of the Gallery, and is distinct from the work undertaken by the Audit and Compliance Committee.

A list of Trustees who served on the Board during 2014/15 and up to the date on which the accounts were signed is at page 30. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held by them, close family and persons living in the same household, which is open to the public, and is available in The Heinz Archive and Library.

All Trustees must declare publicly any personal or business interests that might be perceived to conflict with their public duties. Common law requires that members of public bodies should not participate in the discussion or determination of matters during meetings in which they have a direct pecuniary interest. Trustees are prompted at the start of meetings to declare if they, close family members or persons living in the Trustee's household have an interest, pecuniary or other, in a matter being considered. The Board or Committee will then decide whether it is appropriate for the Trustee to participate in or have information concerning the matter being considered, or whether the Trustee should withdraw from the meeting. Detailed guidance about how Trustees should handle conflicts of interest is contained in the Trustees' Handbook, which is issued to each Trustee upon appointment.

Statistics reporting the attendance of individual Trustees at Board and Sub-Committee meetings are disclosed in the Appendix to the Governance Statement on pages 41 and 42. On average, over the year 2014/15, each Board meeting was attended by 88% of the Trustees, excluding the ex-officio Trustees.

The Director leads the Management Team, which carries responsibility for developing the work of the Gallery. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team (consisting of Gallery Heads of Departments), which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual review day.

In 2006 the Gallery established the Portrait Fund to support the acquisition and conservation of important portraits for the Collection. The Portrait Fund was established under a Declaration of Trust with the purpose of creating a restricted fund to support the purchase of acquisitions. The Fund has its own Board of Trustees, the majority of whom are also Gallery Trustees. The results of the Fund are consolidated into the Gallery's annual accounts.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited, the "Company". The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director. The Board of Directors meets three times a year. As well as the Directors of the Company, the Audit and Compliance Committee also reviews the performance of the Company, its annual report and accounts and the Company external auditors' Management Letter. To date the external auditors have not identified any significant control weaknesses in the processes and controls operated by the Company.

### **The Board of Trustees' performance in 2014/15**

The Board has a governance review session every year, and every other year all trustees complete a detailed questionnaire to assess the Board's effectiveness. This session is undertaken at the Trustees' Strategic Review Day and consists of an overall review of the Board's effectiveness, and is followed up by a review by the Chairman of Trustees of the effectiveness of individual Trustees, through a series of one-to-one meetings between the Chairman and individual Trustees. The last Board full review took place in September 2013. The review indicated the Board considered that, overall, the Board had performed effectively, and that the one-to-one meetings with the Chairman had been helpful in reviewing and reflecting upon the contribution of individual Trustees. Detail on this review was provided in the 2013/14 Governance Statement. An interim review was undertaken in September 2014 at which the Trustees considered the skills set of the Board in the light of the challenges ahead and in view of appointments that were due to expire in the near future. They identified that it would be important, in view of the 2020 Plan, to ensure that the Board had skills in buildings development and architecture. Certain Trustees mentioned that they wished to be more engaged in certain of the learning based activities.

### **Committee reports to the Board**

The minutes of the Audit and Compliance Committee and the Investment Committee are circulated to all Trustees and at each Board meeting the Chairs of the two committees brief the Board about the business which was discussed at the Committee meetings and the key outcomes arising. Each year, the Chair of the Audit and Compliance Committee submits an annual report on the effectiveness of the Gallery's risk management processes. As well as the annual report from the Chair of the Audit and Compliance Committee, the Accounting Officer and Board rely on assurances from several other sources, including the Annual Internal Audit Report to the Audit and Compliance Committee from the Head of Internal Audit (HIA), and Budget Holder, Budget Supervisor and Budget Manager end-of-year assurance statements. Together these reports and statements provide assurances confirming that a sound system of internal control has been maintained throughout the year.

The Chair of the Audit and Compliance Committee's report details the actions which have been taken by the Gallery during the year to mitigate risk and to improve and strengthen internal control, during 2014/15. On this occasion the Gallery had improved and clarified arrangements with key stakeholders (DCMS and the Portrait Trust) and had appointed a new Director to succeed Sandy Nairne. The Gallery's ability to maximise its financial resource had been strengthened with the successful fund raising campaign for the acquisition of the Van Dyck self-portrait. The Catalyst match-funding initiative had been brought to a successful conclusion a year ahead of the deadline, with the £1 million target achieved. The investment strategies had been revised to take account of the new relationship status with the investment managers. The Gallery had continued to improve and strengthen its buildings, systems and management infrastructure through improvements to the IT network, data storage and major IT applications, and through the systematic renewal and update of key policies. An audit of the condition of the Gallery's internal fabric was also undertaken and actions arising from the audit have been included in the Estates and Operations Departmental Plan and budget over the new Corporate Plan period.

The report also outlines the key risks facing the Gallery in the near future. These are highlighted in the risk assessment later in the Statement. Any key issues arising from the previous year's audit of the Gallery's consolidated accounts and the Company's accounts are covered in the report, as well as progress with the implementation of audit recommendations made by the external auditors, which are also outlined in the report. The report concluded that the Audit and Compliance Committee considered that the risk management processes operated by management in the year have been sound, and that the key areas of risk identified for the forthcoming year were appropriate.

The HIA's report provided the Accounting Officer with reasonable assurance on the effectiveness of the Gallery's risk management, control and governance processes reviewed as part of the 2014/15 internal audit plan. The audit work consisted of six audits, which included a review of the collections management and acquisitions processes, National Programmes, Collection interpretation, risk management, key financial controls, and business continuity. None of the audits found major control weaknesses, with all either being assessed as having sound controls or minor weaknesses. Overall, the HIA considered that "there is an adequate and effective system of governance, risk management

and internal control to address the risk that management's objectives are not fully achieved". Internal Audit also noted that the assurance ratings and number of recommendations provided in the year had improved since the previous year, with no ratings below green-amber, which indicated that the direction of travel was positive.

Progress with implementation of internal audit recommendations is reviewed by Planning Team and Audit and Compliance Committee at each meeting.

The regular reports from the Chair of the Investment Committee update the Board on performance of the Gallery's investment portfolios, and the effectiveness of the investment advisors managing the portfolios. The Investment Committee plays a significant role in the management of investment risk. Key to this is ensuring that the investment advisors adhere to the Investment Strategy. The Investment Strategy is reviewed regularly by the Committee and also by the Board. The Strategy determines the objectives of the Gallery's investment portfolios, taking into account the differing requirements with regard to risk and liquidity of the various reserves held by the Gallery. The Strategy also includes any restrictions the Trustees have stipulated in how the reserves are to be invested and how performance should be measured. Asset allocations proposed by the investment advisors are reviewed against the objectives of the Investment Strategy to ensure that what is proposed is acceptable. The reports from the Chair of the Investment Committee cover the performance of the investment portfolios during the quarter, the changes made to asset allocations and the consequences for the portfolios as a result in terms of risk. To date the Chair of the Investment Committee has reported to Trustees that the Committee continued to work well and that she believed that the independent members provided good advice and constructive challenge to the investment proposals put forward by the investment advisors. More detail about the work of the Committee and the performance of the portfolios in the year is contained on pages 22 and 23 and the balances are disclosed in Note 8 to the accounts.

### **Compliance with the *Corporate Governance Code*, and other good practice**

The Board complies with the principles laid out in *Corporate governance in central government departments*, "the Code". There are certain principles in the Code which are not applicable to the Gallery's Board and these relate in the main to central government boards' roles relating to government policy making and the powers of ministers. Other elements which are not applicable include certain elements in the Code dealing with board composition and the board's relationship with its Arms Length Bodies. Furthermore, there is a key difference between the Gallery's Board and those in central government, for whom this guidance has been written, in that the Gallery's Board of Trustees has statutory obligations to observe under the Museums and Galleries Act 1992, whereas central government boards are purely advisory.

The Gallery seeks to uphold the highest standards of governance through the accountability and transparency of its management processes, decision-making and communications. Board of Trustee meeting minutes can be viewed on the Gallery's website at <http://www.npg.org.uk/about/corporate/trustees-and-trustees-meetings.php>.

### **Assurances and other data provided to the Board**

The Board receives information from a wide variety of sources which underpins its assessment of the effectiveness and strength of governance and internal control. Besides its own review of effectiveness and the reports from the Chair of Audit and Compliance Committee, the Board receives and places reliance on reports from both internal and external audit.

A key role for the Board is to review and approve the Gallery's Corporate Plan and associated budget. The objectives for the Gallery in 2014/15 are laid out in the 2014/17 Corporate Plan, which can be viewed on the Gallery's website at <http://www.npg.org.uk/assets/files/pdf/corporate/busplan20122015.pdf>. As well as approving the Plan, the Board oversees the progress that the Director and the senior management team make in implementing the Plan, providing commentary and guidance on their work as necessary. Progress in delivering the objectives is reviewed twice a year by the Board, at the midyear point and at the year end. 2014/15 was a very successful year, with the Gallery attracting a record number of visitors (2,081,633), 93,184 more than the number achieved during the previous year, and 27,306 more than in the previous record breaking year (2012/13). The result was 181,633 ahead of the visitor target set



in the Corporate Plan. It also produced better than budgeted results for the year, resulting in an operating surplus for the year when a deficit had been budgeted. Good progress had also been made in delivering the timetable of programmes and activities planned for the year. The Board also reviews a set of financial and non-financial performance indicators on a quarterly basis and these too showed that the Gallery had, overall, performed very well in most areas during the year. Pages 32 and 33 include a table of performance indicators comparing the results to those achieved in previous years. Performance in 2014/15 was in line with the performance achieved in the previous year.

The Board also receives quarterly financial reports (in the form of summary management accounts including an explanatory narrative) which are supported by financial and non-financial key performance indicators, to provide Trustees with a broad picture of performance in the quarter against the budget set for the year. The data in the financial reports is reconciled to the year-end accounts which are independently audited. The Board and the Audit and Compliance Committee review on a quarterly basis the Corporate Risk Register, which contains the key risks facing the Gallery. Audit and Compliance Committee also review certain of the Departmental Risk Registers which underpin the Corporate Risk Register to see how the risks in the Departmental Registers feed up into the Corporate Risk Register. The Audit and Compliance Committee also discusses, on a regular basis, internal control and risk management in areas critical to the Gallery's business with the relevant Heads of Department, to ensure that risks are effectively managed in these areas, and that the Corporate Risk Register reflects the profile of risk covered in the discussions with the Head of Department. Trustees receive a weekly summary of the Gallery's coverage in the Press, including high-lights, which assist in providing Trustees with an external view of the Gallery's performance.

As a matter of course, the Board reviews and approves key Gallery policies, and revisions to them. It also receives annual reports from senior management relating to important areas of compliance and how the Gallery has conducted itself in these areas, for instance in Health and Safety and Freedom of Information. Senior management also provide annual reports covering important Gallery programmes, like the Exhibitions Programme and the work undertaken as part of its National Programme with regional bodies and other external partners. These reports and submissions provide the Board with a broad picture of how the Gallery is performing.

At the year end, budget managers provide the Accounting Officer with an annual assurance statement confirming that they have complied with the National Portrait Gallery's published policies and with the financial and risk management procedures. In rare circumstances budget managers have qualified their statements and where this is considered material, the statement is brought to the attention of the Audit and Compliance Committee. No material qualifications were brought to the attention of the Accounting Officer or the Audit and Compliance Committee in 2014/15.

### **The Board's review of risk management during the year and into the future**

Each year the Trustees review the Gallery's risk appetite, which sets the level of risk the Gallery is willing to accept across different areas of its programmes and operations. They also review the criteria for evaluating risk. Both these factors are critical in ensuring that risk is evaluated in a consistent manner and that the Gallery's response to the risk is appropriate and proportionate. How the Gallery's risk profile is reviewed and monitored has been explained already. Internal Audit review the Gallery's risk management processes every other year – last reviewed in July 2014 - and report their findings to the Accounting Officer and Audit and Compliance Committee. The Chair of the Audit and Compliance Committee, in an annual report on risk to the Board, explains the Gallery's response to risk during the year, and outlines the key risks facing the Gallery into the future. As at 31 March 2015 the key risks facing the Gallery in the forthcoming year are mainly financial and reputational. The most serious risk is the prospect of diminishing support from Government in 2016/17 and thereafter. The Gallery is responding to this by strengthening its own income generation as a contingency to make up any shortfall. The report identified the risk posed by the 2020 Plan's major capital project which could overstretch and impair the effectiveness of the current management team. However, this was being monitored closely and funding would be made available as part of the project to appoint a dedicated project management team ahead of the project's commencement. Inflation was also considered as a risk and a prudent level had been factored into the 2015/18 three year budget, based on the Bank of England's Monetary Policy Committee target. The rate would be monitored to ensure the budget assumption was adequate. Finally the difficult economic conditions experienced by the Eurozone still held the potential to act as a drag on the UK's recovery, given that it

was a major trading partner. This in turn could adversely impact on the Gallery's self generated income, which is volatile and dependent to a large extent on the underlying health of the economy.

These risks are reflected in the Gallery's Corporate and Departmental Risk Registers, which include contingent and mitigating action should these and other risks identified by management crystallise.

The National Portrait Gallery has suffered no protected personal data incidents in 2014/15 and has made no such report to the Information Commissioner's Office.

No ministerial directions were given.

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chair of Trustees  
2 July 2015



## Appendix to Governance Statement – Trustee attendance 2014/15

### Full Board meeting attendance

	Attendance in 2014/15(%)
<b>Current Trustees</b>	
Dr Brian Allen	75
Allegra Berman	100
Professor Dame Carol Black	75
Dr Rosalind Blakesley	100
Dr Augustus Casely-Hayford	100
Kim Evans	100
Lord Janvrin	100
Mary McCartney	67
Sir William Proby (Chairman)	75
Dr Andrew Roberts	100
David Ross	100
Stephan Shakespeare	50
Marina Warner	100
<b>Average attendance by Trustees over the year</b>	<b>88</b>

### Audit and Compliance Committee attendance

	Attendance in 2014/15 (%)
<b>Attendance</b>	
David Ross (Trustee and Chairman)	50
Kim Evans (Trustee)	100
Professor Dame Carol Black	50
Stephen Souchon	100
Neil Spence	50
Jacqueline Riding	100
<b>Average attendance by Committee members over the year</b>	<b>75</b>

## **Investment Committee attendance**

Attendance in  
2014/15 (%)

<b>Attendance</b>	
Allegra Berman (Trustee and Chairman)	100
Lord Janvrin (Trustee)	100
Jeremy Sillem	100
Anthony Brooke	67
Ben Whitmore	100
<b>Average attendance by Investment Committee members over the year</b>	<b>93</b>

These statistics show attendance by Trustees at full Board and Board sub-committee meetings held during 2014/15. The tables do not include the Trustees' attendance at numerous events held by the Gallery during the year, or the meetings attended or consultations given by Trustees about Gallery business outside of these Board and sub-committee meetings.

## **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 National Portrait Gallery for the year ended 31 March 2015 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Gallery Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Board of Trustees, The Director and auditor**

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Portrait Gallery's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Portrait Gallery; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' and Accounting Officer's Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the National Portrait Gallery's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Trustees' and Accounting Officer's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**7 July 2015**

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

**CONSOLIDATED STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2015**

	Unrestricted Funds	Restricted Funds	Total 2015	Total 2014	
Notes	£000	£000	£000	Restated £000	
<b>INCOMING RESOURCES</b>					
<b>Grant in Aid</b>					
2a	6,984	-	<b>6,984</b>	7,040	
<b>Incoming resources from generated funds</b>					
Voluntary Income	2b	1,029	11,331	<b>12,360</b>	4,264
Activities for generating funds	2c	4,569	-	<b>4,569</b>	3,725
Investment income	3	20	1	<b>21</b>	18
<b>Incoming resources from charitable activities</b>					
Exhibitions admissions and touring income		2,143	4	<b>2,147</b>	2,230
Exhibition and programme sponsorship income		2,325	-	<b>2,325</b>	1,185
Learning and access income		66	-	<b>66</b>	43
<b>Other income</b>	2d	255	1	<b>256</b>	228
<b>Total incoming resources</b>		<b>17,391</b>	<b>11,337</b>	<b>28,728</b>	<b>18,733</b>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income	5	1,018	35	<b>1,053</b>	885
Fundraising trading: cost of goods sold and other costs	5	3,436	65	<b>3,501</b>	3,260
Investment management costs	5	21	22	<b>43</b>	28
<b>Total costs of generating funds</b>		<b>4,475</b>	<b>122</b>	<b>4,597</b>	<b>4,173</b>
<b>Resources expended on charitable activities</b>					
Extending and broadening audiences	5	2,513	925	<b>3,438</b>	3,421
Developing the Collection	5	4,381	253	<b>4,634</b>	4,451
Increasing understanding and engagement with the Collection	5	5,534	1,029	<b>6,563</b>	6,727
<b>Governance costs</b>					
5	135	16	<b>151</b>	128	
<b>Total Resources expended</b>		<b>17,038</b>	<b>2,345</b>	<b>19,383</b>	<b>18,900</b>
<b>Net (outgoing)/incoming resources for the year before transfers</b>		<b>353</b>	<b>8,992</b>	<b>9,345</b>	<b>(167)</b>
Transfers between funds in year	13	(290)	290	-	-
<b>Net (outgoing)/incoming resources for the year before other recognised gains and losses</b>		<b>63</b>	<b>9,282</b>	<b>9,345</b>	<b>(167)</b>
Gains/(Losses) on investments	8	426	801	<b>1,227</b>	(16)
Gains/(Losses) on revaluation of fixed assets for charity's own use	6&13	30	2,076	<b>2,106</b>	40,766
Net movement in funds		519	12,159	<b>12,678</b>	40,583
Fund balances brought forward at 1 April		10,365	104,281	<b>114,646</b>	74,063
<b>Fund balances carried forward at 31st March 2015</b>		<b>10,884</b>	<b>116,440</b>	<b>127,324</b>	<b>114,646</b>

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

The notes on pages 49 to 71 form part of these accounts.

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2015**

	Notes	£000	2015 £000	2014 £000
<b>Fixed Assets</b>				
Tangible assets	6		<b>88,063</b>	87,744
Heritage Assets	7		<b>24,718</b>	14,531
Available for Sale Financial Assets - Investments	8		<b>4,405</b>	3,335
			<b>117,186</b>	105,610
<b>Current Assets</b>				
Stock	11	<b>699</b>		610
Debtors and prepayments	10	<b>1,310</b>		1,141
Available for Sale Financial Assets - Investments	8	<b>7,279</b>		6,626
Cash at bank and in hand	9	<b>4,000</b>		3,296
		<b>13,288</b>		11,673
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12		<b>3,150</b>	2,637
<b>Net Current Assets</b>				
			<b>10,138</b>	9,036
<b>Total Assets less Current Liabilities</b>				
			<b>127,324</b>	114,646
<b>Long Term Liabilities</b>				
Creditors (amounts falling due after one year)	12		-	-
<b>Net Assets</b>				
			<b>127,324</b>	114,646
Represented by:				
<b>Restricted Funds</b>				
	13		57,844	47,761
<b>Fixed Asset Revaluation Fund</b>	13		<b>58,596</b>	56,520
<b>Total Restricted Funds</b>			<b>116,440</b>	104,281
<b>Unrestricted Funds</b>				
Designated funds	13		10,427	9,938
Fixed asset revaluation fund	13		157	127
<b>Total Designated funds</b>			<b>10,584</b>	10,065
General funds	13		300	300
<b>Total Funds</b>				
			<b>127,324</b>	114,646

The notes on pages 49 to 71 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chairman of Trustees  
2 July 2015



**GALLERY BALANCE SHEET**  
**AS AT 31 MARCH 2015**

	Notes	£000	2015 £000	2014 £000
<b>Fixed Assets</b>				
Tangible assets	6		<b>88,063</b>	87,744
Heritage Assets	7		<b>24,718</b>	14,531
Available for Sale Financial Assets - Investments	8		<b>4,405</b>	3,335
			<b>117,186</b>	105,610
<b>Current Assets</b>				
Stock	11	<b>410</b>		355
Debtors and prepayments	10	<b>2,316</b>		1,704
Available for Sale Financial Assets - Investments	8	<b>7,279</b>		6,626
Cash at bank and in hand		<b>3,049</b>		2,824
		<b>13,054</b>		11,509
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12		<b>2,916</b>	2,473
<b>Net Current Assets</b>				
			<b>10,138</b>	9,036
<b>Total Assets less Current Liabilities</b>				
			<b>127,324</b>	114,646
<b>Long Term Liabilities</b>				
Creditors (amounts falling due after one year)	12		-	-
<b>Net Assets</b>				
			<b>127,324</b>	114,646
Represented by:				
<b>Restricted Funds</b>				
	13		57,844	47,761
<b>Fixed Asset Revaluation Fund</b>	13		<b>58,596</b>	<b>56,520</b>
<b>Total Restricted Funds</b>			<b>116,440</b>	104,281
<b>Unrestricted Funds</b>				
Designated funds	13		10,427	9,938
Fixed asset revaluation fund	13		157	127
<b>Total Designated funds</b>			<b>10,584</b>	10,065
General funds	13		<b>300</b>	300
<b>Total Funds</b>				
			<b>127,324</b>	114,646

The notes on pages 49 to 71 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
2 July 2015

Sir William Proby  
Chairman of Trustees  
2 July 2015

**CONSOLIDATED CASH FLOW STATEMENT**  
**AS AT 31 MARCH 2015**

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	19(a)	11,501	1,395
Capital expenditure and financial investment	19(b)	(10,322)	(661)
Management of liquid resources	19(b)	(496)	47
Return on investments and servicing of finance	19(b)	21	18
<b>(Decrease)/Increase in cash in the year</b>		<b><u>704</u></b>	<b><u>799</u></b>

The notes on pages 49 to 71 form part of these accounts.

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

### **1. ACCOUNTING POLICIES**

#### **a) *Basis of accounting***

The accounts have been prepared under the historic cost convention modified to include the revaluation of land and buildings and required valuation methods for financial instruments. The accounts comply with the Statement of Recommended Practice 2005, Accounting and Reporting by Charities, applicable accounting standards and the Accounts Direction issued by the Department for Culture, Media and Sport. The accounts include the Grant-in-Aid account and two trust funds (established by the Gallery under Deeds of Trust) administered by the Gallery (the Dame Helen Gardner bequest and the Portrait Fund) and exclude the American Friends of the National Portrait Gallery (London) Foundation Inc, a US grant-giving organisation with 501 (c) (3) tax status, over which the Gallery has no direct control. The accounts also exclude the Portrait Trust, which is an independent foundation trust established in March 2012, over which the Gallery has no control. The Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011.

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

#### **b) *Incoming resources***

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

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

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

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

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

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

#### **c) *Expenditure***

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

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

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

## 1. ACCOUNTING POLICIES (continued)

### d) *Fund accounting*

Unrestricted funds:

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

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

Restricted funds include the Portrait Fund. The Portrait Fund is governed by a separate Declaration of Trust, through which an initial balance for the Fund of £1,087,000 was transferred to restricted funds. Subsequent income provided to the Fund can only be recognised as restricted income if it is received from donors specifying that the donation is for the purposes of the Portrait Fund.

### e) *Heritage assets*

Heritage assets are capitalised where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. Heritage assets are not depreciated as a matter of routine. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate, and are not revalued in future periods. Impairment reviews are carried out at the end of each reporting period, to ensure that the carrying values of the heritage assets reflect their carrying amounts.

Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the Statement of Financial Activities when it is incurred.

### f) *Tangible fixed assets*

The Gallery capitalises the purchase of assets which cost more than £5,000. IT hardware and software assets which cost more than £1,000 are also capitalised, as too are laptops, PC monitors and central processor units.

Land and buildings are professionally valued every five years; the last such valuation was undertaken as at 31 March 2014. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, National Statistical and other appropriate indices are used to adjust the net book value of the assets. A desk top valuation of the land element is also undertaken in each year between professional revaluations, by the Gallery's surveyors. Assets other than land, buildings, plant and machinery are accounted for on a depreciated historical cost basis, these assets are either of low value or have short lives, therefore the impact of applying indexation would not be material. Impairment reviews are carried out at the end of each reporting period, in accordance with FRS11, to ensure that the carrying values of the assets reflect the recoverable amounts.

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

Indicative asset lives are as follows:

Freehold buildings	20 - 70 years
Leasehold land and buildings	length of lease (10 - 30 years)
Plant and machinery	10 - 15 years
Furniture and equipment	3 - 10 years

## 1. ACCOUNTING POLICIES (continued)

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

### g) *Financial Instruments*

#### *Financial Assets*

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

#### i. Loans and receivables

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

#### ii. Available-for-sale financial assets

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

Investments that are treated as AFS financial assets are stated at fair value (market value). Where possible, investments are valued using unadjusted quoted prices in active markets for identical financial instruments. It is the Gallery's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result, the Statement of Financial Activities only includes those unrealised gains or losses arising from the revaluation of the portfolio throughout the year. Disclosure is made in Note 8 of the difference between historical cost and the sale proceeds of the investments sold during the year.

#### *Impairment of financial assets*

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

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

#### *Financial liabilities*

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

### h) *Stock*

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

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

## 1. ACCOUNTING POLICIES (continued)

### i) *Leases*

The Gallery has one finance lease relating to a 99 year lease for part of the East Wing for which the Gallery is charged a peppercorn rent. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

### j) *Foreign currencies*

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

### k) *Pension costs*

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

### l) *Governance costs*

Internal and external audit fees, costs of Trustees meetings, planning costs and an allocation of the cost of certain staff within the Finance Department are categorised as Governance costs.



2a. GRANT IN AID	Unrestricted	Restricted	Total	Total
	Funds	Funds	2015	2014
	£000	£000	£000	£000
Running costs	6,622	-	6,622	6,789
Capital costs	362	-	362	251
			<u>6,984</u>	<u>7,040</u>

£6,984,000 of Grant-in-Aid was received during the year (£7,040,000 in 2013/14).

This money is available for running costs, capital purchases, improvements and collection purchases; of this, £362,000 was utilised by the Gallery towards the purchase of capital items, (£251,000 in 2013/14).

2b. VOLUNTARY INCOME	Unrestricted	Restricted	Total	Total
	Funds	Funds	2015	2014
	£000	£000	£000	£000
Fundraising dinners	149	-	149	442
Individual giving	695	-	695	608
Grants and donations	97	992	1,089	1,062
Donated acquisitions	-	286	286	857
Donations for acquisitions	-	9,023	9,023	548
The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	-	1,030	1,030	627
Legacies	-	-	-	38
Other fundraising income	88	-	88	82
	<u>1,029</u>	<u>11,331</u>	<u>12,360</u>	<u>4,264</u>

2c. ACTIVITIES FOR GENERATING FUNDS	Unrestricted	Restricted	Total	Total
	Funds	Funds	2015	2014
	£000	£000	£000	Restated £000
Corporate members	148	-	148	152
Publications	645	-	645	347
Rights & Images	371	-	371	406
<b>Trading income</b>				
Gallery hire	462	-	462	403
Retail	2,478	-	2,478	1,996
Catering franchise	465	-	465	421
	<u>4,569</u>	<u>-</u>	<u>4,569</u>	<u>3,725</u>

2d. OTHER INCOME	Unrestricted	Restricted	Total	Total
	Funds	Funds	2015	2014
	£000	£000	£000	Restated £000
Recovery of utility costs	64	-	64	77
Sale of audio guide, floor plans, locker charges	140	-	140	119
Miscellaneous trading income	3	1	4	1
Collection loans income	15	-	15	9
Other	33	-	33	22
	<u>255</u>	<u>1</u>	<u>256</u>	<u>228</u>

3. INVESTMENT INCOME	2015	2014
	£000	£000
Bank interest	21	18
Investment dividends	-	-
	<u>21</u>	<u>18</u>

4. NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	2015	2014
	£000	£000
is stated after charging:		
a) External auditors' remuneration		
National Audit Office	34	
PKF Littlejohn LLP	10	43
b) Internal auditors' remuneration	19	21
c) Operating lease rentals on land and buildings	152	144
d) Operating lease rental on fixtures & equipment	7	9
e) Depreciation	2,188	2,132
f) Loss on any disposal of fixed assets	-	-

The audit fee relates solely to audit services provided by the National Audit Office and PKF Littlejohn LLP.

Loss on disposal of fixed assets is included under Depreciation in Note 5.

## 5. TOTAL RESOURCES EXPENDED

	Direct costs	Allocated support costs	2015	2014
	£000	£000	£000	£000
<b>Costs of generating funds</b>				
Costs of generating voluntary income	818	235	<b>1,053</b>	885
<b>Fundraising trading: cost of goods sold and other costs</b>				
Charitable trading	1,196	235	<b>1,431</b>	1,441
Non-charitable trading	1,753	317	<b>2,070</b>	1,819
<b>Total costs of fundraising trading</b>	<b>2,949</b>	<b>552</b>	<b>3,501</b>	3,260
<b>Investment management costs</b>	43	-	<b>43</b>	28
<b>Extending and broadening audiences</b>				
Publicity and information	937	90	<b>1,027</b>	1,158
National programme	304	33	<b>337</b>	219
Learning and access	1,258	816	<b>2,074</b>	2,044
	<b>2,499</b>	<b>939</b>	<b>3,438</b>	3,421
<b>Developing the Collection</b>				
Collection management	3,291	1,343	<b>4,634</b>	4,451
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	1,210	797	<b>2,007</b>	2,079
Exhibitions and display	2,323	2,233	<b>4,556</b>	4,628
Charitable grants	-	-	-	20
	<b>3,533</b>	<b>3,030</b>	<b>6,563</b>	6,727
<b>Governance costs</b>	85	66	<b>151</b>	128
	<b>13,218</b>	<b>6,165</b>	<b>19,383</b>	<b>18,900</b>

## ALLOCATION OF SUPPORT COSTS

	Directorate & Office Services	Personnel	Finance & Planning	IT & Communications	Facilities Management	Depreciation	Support Salary costs	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating voluntary income	11	17	11	40	18	23	115	<b>235</b>	255
Charitable trading	9	14	17	32	31	39	93	<b>235</b>	260
Non-charitable trading	3	11	10	19	101	-	173	<b>317</b>	306
<b>Costs of generating funds</b>	<b>23</b>	<b>42</b>	<b>38</b>	<b>91</b>	<b>150</b>	<b>62</b>	<b>381</b>	<b>787</b>	<b>821</b>
Publicity and information	4	5	13	11	11	14	32	<b>90</b>	93
National programme	2	2	4	4	4	5	12	<b>33</b>	34
Learning and access	12	18	18	43	256	344	125	<b>816</b>	789
<b>Extending and broadening audiences</b>	<b>18</b>	<b>25</b>	<b>35</b>	<b>58</b>	<b>271</b>	<b>363</b>	<b>169</b>	<b>939</b>	<b>916</b>
Collection management	10	85	46	35	255	338	574	<b>1,343</b>	1,283
<b>Developing the Collection</b>	<b>10</b>	<b>85</b>	<b>46</b>	<b>35</b>	<b>255</b>	<b>338</b>	<b>574</b>	<b>1,343</b>	<b>1,283</b>
Research and documentation	17	27	17	62	211	283	180	<b>797</b>	822
Exhibitions and display	15	24	32	56	830	1,116	160	<b>2,233</b>	2,206
<b>Increasing understanding and engagement with the Collection</b>	<b>32</b>	<b>51</b>	<b>49</b>	<b>118</b>	<b>1,041</b>	<b>1,399</b>	<b>340</b>	<b>3,030</b>	<b>3,028</b>
<b>Governance costs</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>19</b>	<b>26</b>	<b>12</b>	<b>66</b>	<b>47</b>
<b>Total</b>	<b>85</b>	<b>205</b>	<b>169</b>	<b>306</b>	<b>1,736</b>	<b>2,188</b>	<b>1,476</b>	<b>6,165</b>	<b>6,095</b>

## 5. TOTAL RESOURCES EXPENDED (continued)

### BASIS OF ALLOCATION OF SUPPORT COSTS

Support costs have been allocated across activities as follows:

Directorate: equally across departments

Personnel, salary costs: per capita

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

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

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

<b>GOVERNANCE COSTS</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Breakdown of direct costs		
Trustees' meetings and expenses	2	2
Internal Audit	19	17
External Audit	34	34
Finance and Planning costs	30	28
	<u>85</u>	<u>81</u>

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

<b>a) Staff costs</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Staff costs during the year amounted to:		
Wages and salaries	8,214	8,014
National Insurance	579	578
Pension	1,316	1,212
	<u>10,109</u>	<u>9,804</u>

Of which staff costs capitalised for digitising the Collection: 68 57  
equivalent to 2 FTE staff in both 2014/15 and 2013/14

The Company does not employ any staff directly and uses staff seconded from the Gallery. The costs of the staff were recharged to the Company. In 2014/15 the value of the seconded staff costs was £664,101 (£616,853 in 2013/14), which was equivalent to 19.5 full time staff (18 in 2013/14).

The Trustees neither received nor waived any emoluments during the year (also in 2013/14). Expenses reimbursed or paid on behalf of two Trustees amounted to £552, relating to travel and subsistence (in 2013/14, £392 for travel and subsistence of two Trustees).

#### Off-payroll staff appointments, use of consultants and temporary staff

There were no off-payroll staff appointments made in the year, for pay of more than £220 per day. No expenditure was incurred on consultancy in the year. £17,000 was spent on agency staff (contingent labour) in the year, (£2,497 in 2013/14).

#### Pensions

Information on Gallery staff pension schemes are provided in the Remuneration Report .

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the National Portrait Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)). For 2014/15, employers' contributions of £1,298,127 were payable to the PCSPS (2013/14 £1,181,411) at one of four rates in the range 16.7% to 24.3% (2012/13, 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £28,428 (£30,598 in 2013/14) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,248 (£2,259 in 2013/14), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,665 (£5,230 in 2013/14). There were no contributions prepaid at that date.

## 5. TOTAL RESOURCES EXPENDED (continued)

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

### Numbers of Employees

The number of employees, comprising the Director and 5 other members of the Senior Management Team (4 in 2013/14) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2015	2014
£60,001 - £70,000	5	3
£70,001 - £80,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1

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

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

	Permanent staff	Temporary staff	2015 Number	2014 Number
Costs of generating voluntary income	19	-	19	20
Charitable trading	16	-	16	16
Non-charitable trading	21	4	25	17
<b>Extending and broadening audiences</b>				
Publicity and information	5	-	5	4
National programme	2	-	2	2
Learning and access	18	3	21	18
<b>Developing the Collection</b>				
Collection management	82	13	95	85
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	30	-	30	32
Exhibitions and display	26	1	27	25
<b>Governance</b>	2	-	2	-
<b>Support</b>	30	-	30	29
	<u>251</u>	<u>21</u>	<u>272</u>	<u>248</u>

As at 31 March 2015, 59 staff had season ticket and training loans outstanding worth a total of £80,441 included in Other Debtors (2013/14 64 staff had loans totalling £67,545).

The increase in FTEs between the two years is as a result of the calculation in 2014/15 being undertaken using the new HR and Payroll system (Carval) which has made the calculation more accurate. It is not possible to restate the 2014 figures on the same basis as the new HR and Payroll system was not in operation in 2013/14.

## 6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Total tangible assets £000
Valuation/cost at 1 April 2014	81,199	6,109	2,929	90,237
Additions	-	90	311	401
Disposals	-	-	(75)	(75)
Revaluation adjustment	2,076	30	-	2,106
Transfer of assets	-	-	-	-
Valuation/cost at 31 March 2015	<b>83,275</b>	<b>6,229</b>	<b>3,165</b>	<b>92,669</b>
Depreciation at 1 April 2014	-	4	2,489	2,493
Transfers	-	-	-	-
Disposals	-	-	(75)	(75)
Depreciation	1,347	541	300	2,188
Revaluation adjustment	-	-	-	-
Depreciation at 31 March 2015	<b>1,347</b>	<b>545</b>	<b>2,714</b>	<b>4,606</b>
Net book value at 31 March 2015	<b>81,928</b>	<b>5,684</b>	<b>451</b>	<b>88,063</b>
Net book value at 31 March 2014	81,199	6,105	440	87,744

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

The net book value at 31 March 2015 represents fixed assets for:

	Land & Buildings £000	Plant & Machinery £000	Furniture & Equipment £000	Total £000
Charitable activities	74,174	5,146	408	79,728
Other activities	7,754	538	43	8,335
Total	<b>81,928</b>	<b>5,684</b>	<b>451</b>	<b>88,063</b>

All the Gallery's land and buildings were revalued in accordance with the RICS Valuation Standards (the "Red Book") by the firm of chartered surveyors, Deloitte LLP, at 31 March 2014, at which time they were valued at £81.2 million (excluding plant and machinery, which was valued at £6.2 million). In accordance with HM Treasury guidance, all other assets have been valued on a depreciated historical cost basis.

In accordance with Financial Reporting Standard 15, *Tangible Fixed Assets*, where a fixed asset comprises two or more major components with substantially different economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life. The buildings have three separable material components, which have different remaining asset lives; structural, fit out and plant and machinery. Structural and fit out are disclosed under the land and buildings category.

**St Martin's Place**: The main Gallery at St. Martin's Place was transferred from ('vested by') the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994, although title was not registered to the Trustees until 7 June 1994. The main Gallery was brought into the books in 1994 at a net book value of £43.7million and was revalued at 31 March 2014 on a depreciated replacement cost basis of £75 million (including plant and machinery). The current net book value is £74.5 million (including plant and machinery).

**Orange Street and Charing Cross Road**: The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed as part of the Gallery Development Plan to provide new accommodation for the archives and gallery administration. The buildings were occupied from October 1993, and were brought into the balance sheet as at 31 March 1994 at a value of £9.1 million (including plant and machinery). These properties were revalued at 31 March 2014 on a existing use basis at £12.3million (including plant and machinery), with an allowance to reflect the restrictions described. The current net book value is £13.1 million (including plant and machinery).

The net book value of land and buildings relates to:

	£000
Freehold	80,869
Long term lease (greater than 50 years)	1,059
Short term lease (less than 50 years)	-
	<b>81,928</b>

## 7. HERITAGE ASSETS

	Assets reported at Cost			Assets reported at Valuation			Total
	Primary	Reference	Photographs	Primary	Reference	Photographs	
	£000	£000	£000	£000	£000	£000	
Valuation/cost at 1 April 2014	10,357	47	633	3,151	40	303	<b>14,531</b>
Additions	9,888	-	13	252	-	34	<b>10,187</b>
Valuation/cost at 31 March 2015	<b>20,245</b>	<b>47</b>	<b>646</b>	<b>3,403</b>	<b>40</b>	<b>337</b>	<b>24,718</b>

Heritage assets are capitalised at the point of acquisition, where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate. In reaching these valuations curators compare portraits donated to the Collection with the values of comparable items on the open market, taking account differences in condition, size, status and market desirability. Such items are not depreciated or re-valued as a matter of routine. The large figure for additions in 2014/15 was as a result of the acquisition in the year of the Van Dyck self-portrait.

There were no disposals of heritage assets in the period.

Additions in the year comprise:

### Primary Collection

£9,888,000 purchases of portraits – paintings, sculptures and photographs.  
£252,000 donations of paintings, sculptures and photographs.

### Reference Collection

£0 purchases of prints, drawings, paintings and sculptures.  
£0 donations of prints, drawings, paintings and sculptures.

### Photographs Collection

£13,000 purchases of photographs and historic negatives.  
£34,000 donations of purchases of photographs and historic negatives.

Summary of Heritage asset transactions

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
<b>Additions</b>					
Purchased assets	<b>9,901</b>	458	979	715	161
Donated assets	<b>286</b>	857	264	173	368
<b>Total</b>	<b>10,187</b>	1,315	1,243	888	529

The Gallery's collections are held in support of its statutory obligations to promote, through the medium of portraits, the appreciation and understanding of the men and women who have made and are making British history and culture, and to promote the appreciation and understanding of portraiture in all media.

### Primary Collection

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,400 portraits of the most famous people in British history. Of these more than 4,100 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere, including loans outside the UK. In addition, there are some 8,300 works on paper, shown on a rotating basis of about 300 items a year. All the portraits in the Primary Collection are accessible on the website in the search mechanism, Search the Collections. Those wishing to see paintings and other portraits in the Primary Collection not on display, or to consult the records of the collection, should contact the Collections Manager in writing. Normally items not on display can readily be made available for viewing. The Collection is also made widely available via the Portrait Explorer in the Digital Space, by CD-Rom and on the internet (at [www.npg.org.uk](http://www.npg.org.uk)).

### Reference Collection

The Gallery holds its Reference Collection as a national resource; it contains more than 85,000 portraits and forms an image bank of the nation's famous and less famous faces. The range of work held in the Reference Collection complements the Gallery's Primary Collection and contributes to a better understanding of British portraiture generally. It consists of prints mainly, but also includes 2,500 drawings, 75 paintings and 140 sculptures, almost all relatively modest in nature. Examples of preparatory studies and working drawings record the process of making portraits and extensive holdings of engraved reproductions of portraits provide evidence for their distribution and consumption. The Reference Collection is used for study and exhibition, and has been extensively reproduced in books and other publications.



## 7. HERITAGE ASSETS (continued)

### *Photographs Collection*

The Photographs Collection consists of more than 250,000 original photographic images of which at least 130,000 are original negatives. They date from the 1840s to the present day. The collection is divided into two parts; photographic portraits that are subsumed into the Gallery's Primary Collection of portraits, and the remainder which form the Photographs Collection.

More information about the Gallery's collections is available at ([www.npg.org.uk/collections.php](http://www.npg.org.uk/collections.php)).

### *Capitalisation of the Collections*

The capitalised heritage assets reflect a small proportion of the Gallery's collections: only 4% of the Primary Collection and under 1% of the Reference and Photographs Collections. The Gallery has calculated that it would not be cost effective – in terms of expense and staff time – to capitalise all of its collections acquired before 2001 (for the Primary and Photographs Collections) and 2005 (in the case of the Reference Collection). The findings from the Gallery's review into the cost of capitalising all of its collections can be viewed at [www.npg.org.uk/about/corporate/gallery-policies.php](http://www.npg.org.uk/about/corporate/gallery-policies.php).

### *Acquisitions and disposals*

Acquisitions for the Primary Collection are subject to the approval of the Board of Trustees which meets four times a year. The Gallery's formal collecting policy is set out in the Acquisition and Disposal policy, which can be viewed on the Gallery's website, at [www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php](http://www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php).

### *Conservation*

The National Portrait Gallery's conservation staff perform one of the Gallery's core functions, the long-term preservation of all Collection items, to make them accessible now and in future. The majority of conservation work at the Gallery is undertaken in the Frame Conservation and General Conservation studios.

Conservators have a variety of responsibilities, including: remedial work, such as cleaning, consolidating, infilling and retouching; preservation work, to ensure works are stable and suitable for display in the Gallery or on loan; providing advice and guidance to ensure all Collection items are correctly handled, packed, moved and displayed; and regularly surveying Collections in the Gallery and in storage.

### *Collections Management*

The Primary, Photograph and Reference Collections are recorded on the Gallery database, Multi Mimsy, and this database serves as the register of the Collection. It is used to provide information on portraits in the Collection on the Gallery website.

The condition and storage of acquisitions for the Collection are considered at the point of acquisition. Items in the various collections are kept in environmentally controlled conditions. The condition and the management of the collections are then subject to review on a portrait-by-portrait basis as and when portraits are used for exhibition or other use at the Gallery or elsewhere. The condition and the management of the collection is also subject to review in other ways, firstly across a whole group of objects in a particular medium as and when opportunity or the need arises for a wider survey, secondly at a particular location as a matter of regular review and, thirdly as a matter of day-to-day review by staff working with the collections on display and in store. The Collection is subject to periodic random audit to make sure that portraits are located as recorded on the database. There is close and frequent liaison between collection managers, curators and conservators, and also with security staff as necessary.

## 8. AVAILABLE FOR SALE FINANCIAL ASSETS - INVESTMENTS

### Fixed asset investments

	Restricted Funds		Partners Capital	
	Portrait Fund	Catalyst	2015	2014
	TMP	TMP	2015	2014
	£000	£000	£000	£000
Market value at 1 April 2014	3,335	-	3,335	3,068
Additions	-	530	530	-
Disposals	-	-	-	-
Net gain on revaluation	510	30	540	267
<b>Market value at 31 March 2015</b>	<b>3,845</b>	<b>560</b>	<b>4,405</b>	<b>3,335</b>
<b>Historical cost at 31 March 2015</b>	<b>2,550</b>	<b>530</b>	<b>3,080</b>	<b>2,550</b>
Unrealised Investment Gains at 31 March 2015	1,295	30	1,325	785

All investments relate to the Gallery only. These investments are being held for the purposes of producing a long term return and are not intended to be spent within the next 12 months. Funds held by Partners Capital LLP are invested in The Master Portfolio (TMP), which is a collective investment scheme, created by Partners Capital, that invests across a range of asset classes and securities (which may include investments in other collective investment schemes). The investments in The Master Portfolio are held within the Portrait Fund portfolio. The Catalyst Fund was created in January 2015 from the funds raised from the HLF *Catalyst:Endowment* match funding scheme. The Catalyst Fund portfolio mirrors the Portrait Fund portfolio in the make up of its investments, as it will eventually be subsumed into the Portrait Fund portfolio when the Catalyst scheme ends.

	2015	2014
	£000	£000
Investment assets in the UK	-	-
Investment assets outside the UK	4,405	3,335
	<b>4,405</b>	<b>3,335</b>

### Current asset investments

	Restricted Funds		Partners Capital		2015	2014
	Portrait Fund	Catalyst	Unrestricted	Investment &		
	Fund	Fund	Funds	Contingency		
	£000	£000	£000	Fund	£000	£000
Market value at 1 April 2014	3,134	-	3,492	6,626	6,956	
Add: Acquisitions at cost	-	378	-	378	-	
Less: disposal proceeds	(400)	-	-	(400)	-	
Investment management charges deducted	(4)	-	(8)	(12)	(47)	
Gain/(loss) on revaluation	255	6	426	687	(283)	
Net Gain/(loss) on revaluation	251	6	418	675	(330)	
<b>Market value at 31 March 2015</b>	<b>2,985</b>	<b>384</b>	<b>3,910</b>	<b>7,279</b>	<b>6,626</b>	
<b>Historical cost at 31 March 2015</b>	<b>3,082</b>	<b>378</b>	<b>3,037</b>	<b>6,497</b>	<b>6,119</b>	
Unrealised Investment Gains/(Losses) at 31 March 2015	(97)	6	873	782	507	

These investments are being held for the purposes of producing a return, but the Gallery considers that they should remain highly liquid and available to spend within the next 12 months.

The investment management charges in the SOFA are charged on an accruals basis. The investment management charges are deducted from the funds in arrears.

	2015	2014
	£000	£000
<i>Investment assets in the UK</i>		
Government stocks	282	395
Real Assets	563	-
Global equities fund	682	534
<i>Investment assets outside the UK</i>		
Government stocks	450	798
Asian local currency bonds	-	1,291
Corporate bonds	3,662	3,054
Cash	1,640	554
	<b>7,279</b>	<b>6,626</b>

## 9. FINANCIAL RISK MANAGEMENT

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

The majority of financial instruments relate to contracts to buy non-financial items in line with the Gallery's expected purchase and usage requirements and in the case of these contracts the Gallery is exposed to little credit, liquidity or market risk. In the past year the Gallery has invested a proportion of its reserves in the world financial markets. Overall this will expose the Gallery to more foreign exchange risk, although its exposure to interest rate risk and liquidity risk will not have increased materially as a result of this investment.

### Liquidity risk

On average, approximately 40% of the Gallery's income (excluding the special fund-raising income for the Van Dyck self portrait acquisition in the current year) is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which ensures that an amount at least equivalent in total to three-quarters of the Gallery's average stock levels is held in general funds. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

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

### Credit risk

The Gallery group is exposed to credit risk of £809,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 99.8% of trade debtors over the last four years. Bad and doubtful debts are provided for on an individual basis. There were no bad debt write offs in the year, (£12,000 in 2013/14).

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

### Interest rate risk

The Gallery draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; 71% of the Gallery's financial assets represents cash and investments held for these short term requirements. Of these, 77% earn interest at a floating rate and 18% carry fixed rates of interest. The fixed rate investments consist of investments in UK inflation linked gilts and corporate and inflation linked bonds. About 28% of the Gallery's financial assets are held in collective investment schemes with assets allocated across a diverse range of asset classes and securities. However, the Gallery has taken a conservative approach to the amount of investment income it can expect from its investments to fund its operations and is therefore not exposed to significant interest rate risk. Asset allocations across all investment portfolios are reviewed regularly and can be adjusted at short notice in response to significant changes in market conditions. Furthermore, the Gallery's budgets are reviewed and updated regularly to take account of fluctuations in interest rates to ensure that operations are not jeopardised in the event of a significant fall in investment income.

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

	Floating rate	Fixed rate	Non-interest bearing	Real Assets	Assets earning equity return	Total	Weighted average interest rate	Weighted average period for which rate is fixed
	£000	£000	£000	£000	£000	£000	%	
At 31 March 2015								
Sterling	8,669	2,022	25	563	4,405	15,684	2.01	1.29 years
Other	-	-	-	-	-	-		
	<b>8,669</b>	<b>2,022</b>	<b>25</b>	<b>563</b>	<b>4,405</b>	<b>15,684</b>		
At 31 March 2014								
Sterling	5,316	4,350	256	-	3,335	13,257	2.54	3.33 years
Other	-	-	-	-	-	-		
	<b>5,316</b>	<b>4,350</b>	<b>256</b>	<b>-</b>	<b>3,335</b>	<b>13,257</b>		

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

## 9. FINANCIAL RISK MANAGEMENT (continued)

### Reconciled to the Consolidated Balance Sheet

	2015 £000	2014 £000
Fixed Asset Investments	4,405	3,335
Current Asset Investments	7,279	6,626
Cash at Bank	4,000	3,296
<b>Total</b>	<b>15,684</b>	<b>13,257</b>

### Foreign currency risk

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

Where practicable, investments will be made in Sterling denominated securities or in collective investment funds that have a Sterling hedged share class to minimize exposure to non-Sterling currencies. However, the investment portfolios include investments in overseas assets so some non-Sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive. The residual exposure to non-Sterling currencies means that the investment portfolio will benefit proportionately from any appreciation in non-Sterling currencies against Sterling and be negatively affected by depreciation against Sterling. Overall, it is expected that the exposure to any single non-Sterling currency will not be significant.

If all of the emerging market currencies depreciated against sterling by 10%, the overall impact on the portfolio of investments would be a fall in value of around £2,000. A similar appreciation of emerging market currencies against sterling would result in an appreciation in the value of the portfolio by a similar amount.

## 10. DEBTORS AND PREPAYMENTS

	GROUP		GALLERY	
	2015 £000	2014 £000	2015 £000	2014 £000
a) Debtors falling due within one year				
Trade debtors	809	686	647	451
Less provision for bad debts	-	-	-	-
	<u>809</u>	<u>686</u>	<u>647</u>	<u>451</u>
Other debtors	296	296	280	274
Prepayments	73	59	73	58
Accrued income	132	100	78	59
Amounts due from the Company	-	-	1,238	862
	<u>1,310</u>	<u>1,141</u>	<u>2,316</u>	<u>1,704</u>

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

Of the amount due from the Company, £1,045,000 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31 March 2015.

### b) Intra-Government Balances

	GROUP	
	2015 £000	2014 £000
Balances with Central Government Bodies	217	164
Balances with Local Authorities	50	37
Balances with Public Corporations and Trading Funds	-	-
Balances with NHS Bodies	-	-
Sub-total Intra-Government Balances	<u>267</u>	<u>201</u>
Balances with Bodies external to Government	1,043	940
	<u>1,310</u>	<u>1,141</u>

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

## 11. STOCK

	GROUP		GALLERY	
	2015 £000	2014 £000	2015 £000	2014 £000
Goods for resale	659	590	370	335
Work in progress	40	20	40	20
	<u>699</u>	<u>610</u>	<u>410</u>	<u>355</u>

## 12. CURRENT LIABILITIES

### a) Creditors falling due within one year

	GROUP		GALLERY	
	2015	2014 Restated	2015	2014 Restated
	£000	£000	£000	£000
Trade creditors	341	198	332	188
Other creditors	98	7	91	7
Taxation and social security	312	315	312	315
Accrued expenses	985	817	873	770
Deferred income	1,182	1,048	1,076	941
VAT payable	232	235	232	235
Provision for liabilities and charges	-	17	-	17
	<b>3,150</b>	<b>2,637</b>	<b>2,916</b>	<b>2,473</b>
of which creditors for capital expenditure:	-	20	-	20

### b) Intra-Government Balances

#### Intra-Government Balances falling due within one year

	GROUP	
	2015	2014
	£000	£000
Balances with Central Government Bodies	647	606
Balances with Local Authorities	-	3
Balances with Public Corporations and Trading Funds	-	-
Balances with NHS Bodies	-	-
Sub-total Intra-Government Balances	647	609
Balances with Bodies external to Government	2,503	2,028
	<b>3,150</b>	<b>2,637</b>

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

### c) Movement on deferred income

	GROUP							Total
	Sponsorship	Theatre Hire, Conferences & Group Tours	Exhibition Income & Fees	Registration Fees	Donations	Membership Fees	Event Deposits	
Balance as at 1 April 2014	400	6	12	75	233	215	107	1,048
Amounts released from previous years	(400)	(6)	(12)	(75)	(133)	(215)	(107)	(948)
Incoming resources deferred in the current year	491	8	98	87	20	273	105	1,082
Balance as at 31 March 2015	<b>491</b>	<b>8</b>	<b>98</b>	<b>87</b>	<b>120</b>	<b>273</b>	<b>105</b>	<b>1,182</b>

The disclosure includes the deferred income related to the Group.

### 13. STATEMENT OF FUNDS

	Note	Balance at 1 April 2014	Income	Expenses	Net gains/losses	Transfers	Balance at 31 March 2015
		£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>	14						
<b>Designated funds:</b>							
Fixed Asset Fund		6,417	401	(841)	-	-	5,977
Fixed Asset Revaluation Fund		127	-	-	30	-	157
Investment and Contingency Fund		3,034	-	-	426	746	4,206
Deferred Projects Fund		487	-	(123)	-	(120)	244
<b>Total designated funds</b>		<b>10,065</b>	<b>401</b>	<b>(964)</b>	<b>456</b>	<b>626</b>	<b>10,584</b>
<b>General Funds (Working Capital)</b>	14	300	16,990	(16,074)	-	(916)	300
<b>Total unrestricted funds</b>		<b>10,365</b>	<b>17,391</b>	<b>(17,038)</b>	<b>456</b>	<b>(290)</b>	<b>10,884</b>
<b>Restricted funds</b>	15						
Fixed Asset Fund		24,680	-	(1,347)	-	-	23,333
Fixed Asset Revaluation Fund		56,520	-	-	2,076	-	58,596
Capitalised Collection Fund		14,531	286	-	-	9,901	24,718
		95,731	286	(1,347)	2,076	9,901	106,647
Portrait Fund		6,372	-	(21)	765	(400)	6,716
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment		836	1,030	(3)	36	-	1,899
Grants and Donations Fund		1,335	10,020	(974)	-	(9,211)	1,170
Dame Helen Gardner Bequest Fund		7	1	-	-	-	8
		8,550	11,051	(998)	801	(9,611)	9,793
<b>Total restricted funds</b>		<b>104,281</b>	<b>11,337</b>	<b>(2,345)</b>	<b>2,877</b>	<b>290</b>	<b>116,440</b>
<b>Total Funds</b>		<b>114,646</b>	<b>28,728</b>	<b>(19,383)</b>	<b>3,333</b>	<b>-</b>	<b>127,324</b>

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment is a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The scheme began in 2012/13. Further details are provided in Note 15.

Transfers represent movements from the General Fund into the Investment and Contingency Fund and the utilisation of funds for projects and capital expenditure. The large transfer from the restricted Grant and Donations Fund represents the transfer of fundraising income to finance the purchase of the Van Dyck self-portrait.

	As at 1 April 2014	Unrealised gains/losses under fair value	Realised gains/losses under fair value	As at 31 March 2015	Reserve/Fund excl fair value as at 31 March 2015	Reserve/Fund incl fair value as at 31 March 2015
<b>Fair Value Reserve (Investments)</b>						
<b>Unrestricted</b>						
General Fund	475	418	-	893	(593)	300
<b>Restricted</b>						
Portrait Fund	890	761	-	1,651	5,065	6,716
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	-	36	-	36	1,863	1,899



## 14. DESIGNATED FUNDS

### FIXED ASSET FUND

This fund represents the net book value of all the Gallery's furniture and equipment, (mainly IT equipment), and plant and machinery.

### FIXED ASSET REVALUATION RESERVE

This fund represents the indexation and revaluation increases on the plant and machinery assets held in the Unrestricted Fixed Asset Fund.

### INVESTMENT AND CONTINGENCY FUND

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

### PORTRAIT FUND

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

### DEFERRED PROJECTS FUND

This fund represents underspends generated this year which are to be employed in projects next year. The projects include planned work on improving interpretation and orientation in the Gallery, future exhibitions planning, continued work on the upgrade of the Capture system used by the Rights & Images team, completion of the implementation of the integrated HR and Payroll software application, and certain curatorial publications. The Fund also includes funding earmarked for future acquisitions. Transfers represent the underspends identified in this year set aside for projects to be undertaken in future years.

### GENERAL FUND

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

## 15. RESTRICTED FUNDS

### FIXED ASSET FUND

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

### FIXED ASSET REVALUATION RESERVE

This fund represents the indexation and revaluation increases on the land and buildings assets held in the Restricted Fixed Asset Fund.

### CAPITALISED COLLECTION FUND

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

### PORTRAIT FUND

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

### HERITAGE LOTTERY FUND/DEPARTMENT FOR CULTURE, MEDIA AND SPORT CATALYST: ENDOWMENT FUND

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment is a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The terms of the *Catalyst:Endowment* require the Gallery to raise £1 million by June 2016. During this period the scheme will match this fund raising £1:£1. By the end of the year the Gallery has raised over £1 million towards the £1 million target, receiving £490,000 in match funding from HLF. The figure for income includes both the amount the Gallery has raised to date and the match funding drawn down from the scheme. The funds raised through the scheme will be used to support the Portrait Fund.

### GRANTS AND DONATIONS FUND

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

### DAME HELEN GARDNER BEQUEST

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

## 16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2015 are represented by:

	Unrestricted		Restricted £000	Total £000
	Designated £000	General £000		
Fixed Assets	6,134	-	81,929	<b>88,063</b>
Heritage Assets	-	-	24,718	<b>24,718</b>
Investments	-	-	4,405	<b>4,405</b>
Current Assets	4,450	3,450	5,388	<b>13,288</b>
Current Liabilities	-	(3,150)	-	<b>(3,150)</b>
Long term Liabilities	-	-	-	-
<b>Total Net Assets</b>	<b>10,584</b>	<b>300</b>	<b>116,440</b>	<b>127,324</b>

## 17. FINANCIAL COMMITMENTS

As at 31 March 2015 the Gallery had annual commitments under non-cancellable operating leases and other arrangements as follows:

Arrangements which expire:	2015		2014	
	Land and buildings	Other Operating Leases	Land and buildings	Other Operating Leases
	£000	£000	£000	£000
Less than one year	-	-	-	7
One to five years	-	-	-	-
Greater than five years	<b>153</b>	-	<b>149</b>	-

## 18. CAPITAL COMMITMENTS

	2015 £000	2014 £000
Capital expenditure contracted for but not provided in the accounts	<b>20</b>	21
Capital expenditure authorised but not contracted for	<b>85</b>	10,331

Capital expenditure authorised but not contracted for relates to planned software enhancements.

## 19. CASH FLOW INFORMATION

### a) Reconciliation of changes in resources to net cash (outflow)/ inflow from operating activities

	2015 £000	2014 £000
Net incoming/(outgoing) resources before revaluations	9,345	(167)
less: Investment income	(21)	(18)
Donated acquisitions	(286)	(857)
Loss on disposal of fixed assets	-	-
Depreciation	2,188	2,132
(Increase) / Decrease in debtors	(169)	168
(Decrease) / Increase in creditors	399	138
Increase / (Decrease) in deferred income	134	201
(Increase)/ Decrease in stock	(89)	(202)
<b>Net cash flow from operating activities</b>	<b><u>11,501</u></b>	<b><u>1,395</u></b>

### b) Analysis of Cash Flows

#### Capital expenditure and financial investment

Payments to acquire tangible fixed assets	<u>(10,322)</u>	<u>(661)</u>
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#### Management of liquid resources

Purchase of investments	(908)	-
Disposals of investments	400	-
Investment management charges	12	47
	<u>(496)</u>	<u>47</u>

#### Return on investments and servicing of finance

Interest received	21	18
Investment dividends	-	-
	<u>21</u>	<u>18</u>

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

(Decrease)/Increase in cash in period	1,200	752
Cash flow from change in liquid resources	<u>(496)</u>	<u>47</u>
Movement in net funds in the period	704	799
Net funds at 1 April	3,296	2,497
Net funds at 31 March	<u>4,000</u>	<u>3,296</u>

### d) Analysis of net funds

	1 April 2014 £000	Cash flow £000	31 March 2015 £000
Cash at bank and in hand	3,296	704	4,000
Net funds	<u>3,296</u>	<u>704</u>	<u>4,000</u>

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

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

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

	<b>2015</b>	2014
	<b>£000</b>	£000
<b><u>Profit and loss account</u></b>		
Turnover	<b>3,431</b>	2,856
Cost of sales	<b>(1,248)</b>	(1,021)
<b>Gross Profit</b>	<b><u>2,183</u></b>	<u>1,835</u>
Administrative expenses	<b>(1,142)</b>	(1,124)
<b>Trading Profit</b>	<b><u>1,041</u></b>	<u>711</u>
Interest receivable	<b>4</b>	4
<b>Profit on Ordinary Activities Before Taxation</b>	<b><u>1,045</u></b>	<u>715</u>
Taxation	-	-
<b>Profit on Ordinary Activities After Taxation</b>	<b><u><u>1,045</u></u></b>	<u><u>715</u></u>
<b><u>Balance sheet</u></b>		
Tangible fixed assets	-	-
Current assets	<b>1,472</b>	1,024
Creditors	<b>(427)</b>	(309)
Payment under Gift Aid to Gallery	<b>(1,045)</b>	(715)
<b>Net assets</b>	<b><u>-</u></b>	<u>-</u>
<b>Share capital and reserves</b>	<b><u>-</u></b>	<u>-</u>

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

	<b>2015</b>	2014
	<b>£000</b>	£000
Turnover	<b>3,431</b>	2,856
Intra group transactions	-	-
<b>Trading income included within SOFA</b>	<b><u>3,431</u></b>	<u>2,856</u>
Cost of sales	<b>(1,248)</b>	(1,021)
Administrative expenses	<b>(1,142)</b>	(1,124)
Taxation	-	-
Intragroup transactions	<b>1,553</b>	1,470
<b>Trading costs included within SOFA</b>	<b><u>(837)</u></b>	<u>(675)</u>
Interest receivable	<b>4</b>	4
<b>Included in investment income per SOFA</b>	<b><u>4</u></b>	<u>4</u>

## 21. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2015.

## 22. POST BALANCE SHEET EVENTS

Dr Nicholas Cullinan joined the Gallery on 14 April 2015 to take up the post of Director, following Sandy Nairne's retirement in February. The Rt Hon Chris Grayling MP was appointed an *ex officio* Trustee following his appointment as Lord President of the Council on 10 May 2015. On 10 June 2015 Dr Joanna Kennedy OBE FREng FICE was appointed a Trustee.

## 23. RELATED PARTY TRANSACTIONS

The National Portrait Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various transactions (greater than £500) with the Department and with other entities for which the Department is regarded as the parent Department as follows: British Broadcasting Corporation (BBC), British Library, National Gallery, Tate Gallery, and the Victoria & Albert Museum. The Gallery has a ten year licence agreed with Tate for the provision of storage for the Gallery's collections, which commenced in 2012.

### Other Related Party Transactions

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

<u>Trustee</u>	<u>Related party</u>	<u>Position held at related party</u>	<u>Transaction and balance details</u>
Dr Brian Allen	Hazlitt Gooden Fox	Chairman of Hazlitt Group	£10,750 of sales for Corporate Membership. £12,654 for the acquisition of art works. Nil balance at year end.
Dame Carol Black	PwC	Member of PwC's Health Industries Oversight Board	£20,400 of sales for Corporate Membership. Nil balance at year end.
Dr Rosalind Blakesley	University of Cambridge	Fellow, Pembroke College Cambridge	£74 paid for photographic costs relating to the Wellington exhibition. Nil balance at year end.
Dr Augustus Casely-Hayford	Tate Gallery	Member of Tate Britain Council and audience advisor	£2,363 of purchases made from Tate group enterprises for retail and publications stock. £4.19 balance owed at year end.
David Ross	David Ross Foundation	Trustee	£3,000 paid at fundraising event and donated £25,000 to the Catalyst match-funding scheme. Nil balance at year end.
Dr Andrew Roberts	Brunswick Foundation	Close family member employed at the Brunswick Foundation	£6,000 paid at fundraising event. Nil balance at year end.
Dame Marina Warner	Bodleian Library	Trustee	£3,663 of purchases for publication production and art transport costs. Nil balance at year end.
Christopher Le Brun	Royal Academy of Arts	Trustee	Purchases of £498 for advertising and photographic costs. Nil balance at year end.

#### Independent Members (Audit & Compliance Committee)

Dr Jacqueline Riding	National Maritime Museum	Close family member is Head of Arts at NMM	£324 for publication production and photography costs. Nil balance at year end.
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#### Independent Members (Investment Committee)

Anthony Brooke	The Portrait Trust	Trustee	The Gallery received a grant of £167,800 from the Trust and paid administrative fees of £4,111. Nil balance at the year end.
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#### Gallery Management

Pim Baxter	Association of Leading Visitor Attractions (ALVA)	Director	£11,665 of purchases for benchmarking and research fees. Nil balance at year end.
Dr Peter Funnell	British Academy	Member of Picture, Portraits and Decorations Committee	£9,480 paid to Gallery for picture conservation work. Nil balance at year end.
Dr Peter Funnell	Public Catalogue Foundation	Advisory Panel Member	£1,080 of purchases relating to software maintenance. Nil balance at year end.
David Saywell	Public Catalogue Foundation	Advisory Panel Member	£1,080 of purchases relating to software maintenance. Nil balance at year end.
Nicola Saunders	Association for Cultural Enterprises	Trustee	£2,688 of purchases for training courses and attendance at annual conference. Nil balance at year end.
Stacey Ogg	Robert Pentha	Partner	£150 purchased for print design services.

**Trustees:** Sir William Proby donated £1,450 to the Gallery. Dr Brian Allen donated £50 to the Catalyst match-funding scheme. Allegra Berman paid £1,200 at a fundraising event and also donated £100 to the Catalyst scheme. Dame Carol Black paid £1,500 at a fundraising event, and she also donated £100 to the Catalyst scheme. Dr Rosalind Blakesley donated £100 to the Catalyst scheme. Dr August Casely-Hayford donated £100 to the Catalyst scheme. Kim Evans donated £50 to the Catalyst scheme. Mary McCartney donated £750 to the Catalyst scheme. Dr Andrew Roberts paid £75 for Gallery membership. David Ross donated £49.63 to the Catalyst Scheme. Dame Marina Warner donated £225 to the Catalyst scheme. Lord Janvrin and Allegra Berman are both employees of HSBC and HSBC Private Bank (Luxembourg) is the custodian bank for the Gallery's and Portrait Fund's reserves under management with Partners Capital LLP.

**Independent Members:** Jeremy Sillem - an independent member of the Investment Committee - is a shareholder with Partners Capital LLP. Partners Capital LLP are the Gallery's investment advisors with £11.7 million of the Gallery's reserves under management.

**Staff:** During the year, the Gallery received £99,000 of funding from the DCMS to hold on behalf of the Women Leaders in Museums Network (WLMN). Pim Baxter, the Gallery's Deputy Director, is a member of the WLMN. A balance of £81,000 of this funding remained at the year end. Terence Pepper (the Gallery's Senior Special Advisor on Photographs) donated 387 photographs with an aggregated value of £17,752 to the Gallery's photographic collection.

## 24. LOSSES STATEMENT

During the year the Gallery incurred losses of £162,000. The majority of the loss was accounted for in the write down of £139,000 in the carrying value of the Gallery's Heritage Assets from previous years, which related to the amount in the carrying value which could not be matched to specific heritage assets listed in the asset register.

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