

# The National Gallery Annual Report and Accounts for the year ended 31 March 2012

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

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## Objectives and activities

The National Gallery's foremost aim is to **establish a central role for Old Master paintings in modern cultural life.**

Our strategy to support this aim is built on the distinctiveness of the National Gallery and its work. We have one of the finest collections of paintings in the world that tells a coherent story about the development of Western European art over seven centuries, and the majority of our collection is continuously on display to the public, both in Trafalgar Square and on-line.

Our strategic objectives, set out below, presuppose our statutory responsibility to acquire pre-eminent works of art and our duty to preserve the collection and make it accessible to the public.

The programmes to realise these strategic objectives include an ambitious digital strategy, better public communication, academic initiatives and improvements to display, notably through the installation of LED lighting.

The National Gallery's strategic objectives are to:

- Preserve, enhance and develop the potential of our collections for our public
- Broaden our appeal and provide an exceptional visitor experience
- Inspire learning and engagement; and
- Invest in our staff, increase income and care for our physical facilities.

## Review of achievements, performance and plans for the future

Preserve, enhance and develop the potential of our collections for our public<sup>1</sup>

### Activities during the year

#### *Increase the depth and range of our collections*

During the year the National Gallery was successful in acquiring, in partnership with the National Galleries of Scotland, Titian's great masterpiece, *Diana and Callisto*. This acquisition – along with the purchase of its companion painting *Diana and Actaeon* in 2009 – ensures that these two superlative works by Titian will remain together on public display in either London or Edinburgh.

*Diana and Callisto* and *Diana and Actaeon* have been in the UK for more than 200 years. They were both painted as part of a cycle of works for Philip II of Spain and they represent a highpoint in Italian Renaissance art. The paintings left Titian's studio together and have only changed hands three times since then. The acquisition of *Diana and Callisto* means that the pair can remain together in Britain for the enjoyment of the public in perpetuity.

The National Gallery in London and the National Galleries of Scotland are indebted to their supporters for their generosity, without which this acquisition would not have been possible.

The Gallery was fortunate also to have been allocated a picture under the Acceptance-in-Lieu scheme during the year. Sir Thomas Lawrence's *Portrait of the Hon. Emily Mary Lamb* builds on the Gallery's strength in British painting, in portraiture and in particular complements the small number of works by Lawrence already in the collection.

#### *Maintain a full programme for conservation, supported by objective scientific study*

The Gallery continued its policy of maintaining the highest standards of excellence in preventive and remedial conservation, supported by pre-eminent scientific research. The Gallery undertakes on-going reviews of measures to ensure the safety of the collection and continues to implement improvements to the existing disaster planning methodology. Following an act of vandalism during the year, which caused no lasting damage to the collection, the Gallery has revised its strategy and tactics for dealing with damage to pictures including notification procedures, methods and materials to be used in the event of urgent picture treatment.

<sup>1</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) and (b) that the Board shall "care for, preserve and add to the works of art and documents in their collection" and "secure that the works of art are exhibited to the public".

Several notable restorations were finished during this year; for example, the restoration of Niccolo di Pietro Gerini's *Baptism Altarpiece* was completed and played a major role in the Gallery's *Devotion by Design* exhibition. Other works by Fillipo Lippi, Poussin, Titian, Bakhuizen and Venusti were also returned to public view after the completion of restoration treatments.

The year also saw the appointment of the Gallery's first Conservation Fellow: a privately funded two year position. The Gallery's new fellowship position fulfils a long-held ambition to incorporate advanced conservation training within the workings of the Department, as explicitly advocated in the Gallery's principal strategic document. The role is designed to give the Fellow the opportunity to develop their professional abilities in the context of the Gallery's rich tradition of interdisciplinary collaboration between conservators, scientists and curators.

The Gallery has undertaken scientific study in four main areas: research in, and refinement of, measures for preventive conservation of Old Master paintings; technical study (largely analysis) of paintings proposed for, or undergoing, conservation treatment; long-term studies with curators of the technical and material history of the collection for systematic catalogues; and R & D in imaging technology, procedures and documentation for archival and research project purposes.

The main activities in preventive conservation have been research into new (energy-efficient) lighting systems (LEDs) for general Gallery use; review of the effects of transport on paintings, particularly those travelling on loan; and a new review of the principles of best practice in environmental control and management for preventive conservation for Old Master paintings, for which a publicly-available document containing advice to others is now available on the Gallery's website.

All significant individual conservation projects have been supported by examination and analysis of paintings and advice to conservators. The past year has seen much new and older technical research on the collection assembled for catalogue publication by curators; further work remains to be accomplished for future planned catalogues. A major advance for the laboratory has been the acquisition through a grant from the Foyle Foundation of an instrument capable of 'chemical imaging' of paint microsamples using infrared microscopy (ATR-FTIR: attenuated total reflectance Fourier-transform infrared spectroscopy). This will refine considerably our ability to analyse the collection, particularly for conservation-related problems. New technical documentation and image viewing systems have been developed for specific interdisciplinary research projects.

#### *Create public programmes that enhance and illuminate the collection*

The Gallery mounted seven temporary exhibitions during the year, but the programme was dominated by the critical and popular success of *Leonardo da Vinci: Painter at the Court of Milan*, which brought paintings together that had never been seen in the UK before and achieved record levels of attendance. The Gallery is very grateful to those staff who worked so hard to make the exhibition such a success.

The following temporary exhibitions were open during the year. "(£)" denotes a ticketed exhibition:

<b>Exhibition</b>	<b>Attendance</b>	<b>Venue</b>
<i>Jan Gossaert's Renaissance</i> 23 February 2011 – 30 May 2011 (£)	38,791	Sainsbury Wing
<i>An American Experiment: George Bellows and the Ashcan Painters</i> 3 March 2011 – 30 May 2011	98,100	Room 1
<i>Forests, Rocks and Torrents: Norwegian and Swiss Landscapes from the Lunde Collection</i> 22 June 2011 – 18 September 2011	148,408	Sunley Room
<i>Devotion by Design: Italian Altarpieces before 1500</i> 6 July 2011 – 2 October 2011	47,793	Sainsbury Wing
<i>Art for the Nation: Sir Charles Eastlake at the National Gallery</i> 27 July 2011 – 30 October 2011	46,440	Room 1
<i>Leonardo da Vinci: Painter at the Court of Milan</i> 9 November 2011 – 5 February 2012 (£)	323,897	Sainsbury Wing
<i>Turner Inspired: In the Light of Claude</i> 14 March 2012 – 5 June 2012 (£)	15,688 (to 31 March 2012)	Sainsbury Wing

*Jan Gossaert's Renaissance* was the first exhibition dedicated to the artist for over 40 years, and presented the results of a complete re-examination of his work, including new technical discoveries. The exhibition featured over 50 works, including many of the artist's most important paintings, drawings and contemporaneous sculptures of the Northern Renaissance.

*An American Experiment: George Bellows and the Ashcan Painters* was a small exhibition, made with the support of the Terra Foundation for American Art, which introduced the British public to the major American painter, George Bellows (1882-1925), and a few of his most distinctive contemporaries.

By selecting a handful of the strongest works and displaying them on a small scale, but in the context of his contemporaries, the aim of the exhibition was to broaden the public's awareness of the inventiveness of American painting decades before the Abstract Expressionists.

*Forests, Rocks and Torrents: Norwegian and Swiss Landscapes from the Lunde Collection* drew on the collection of Asbjørn Lunde, an American who has formed the world's leading private collection of Norwegian and Swiss landscape paintings, primarily of the 19th century. British audiences are well aware of the landscape tradition of Constable and Turner. This landmark exhibition introduced skilled and innovative practitioners of this discipline from the same period but from elsewhere in Europe, many of whom enjoyed great reputations during their lifetimes.

*Devotion by Design: Italian Altarpieces before 1500* was part of the programme of summer shows drawn from the National Gallery's permanent collection. The exhibition explored the function, the original location and the development of Italian altarpieces during the late Middle Ages and early Renaissance. The exhibition showcased altarpieces by well-known artists such as Piero della Francesca, but included many which are less familiar. It revisited works in the National Gallery collection in a fresh and innovative light, drawing on the wealth of scholarship undertaken in this field in recent years.

*Art for the Nation: Sir Charles Eastlake at the National Gallery* illuminated the life and work of the Gallery's first director, Sir Charles Lock Eastlake (1793-1865), a man described by one contemporary as 'the Alpha and Omega' of the Victorian art world. His purchase of an astonishing 139 masterpieces, mostly acquired during his annual continental tours, include some of the Gallery's best-loved Italian Renaissance pictures, such as Uccello's *Battle of San Romano* and Giovanni Bellini's *Madonna of the Meadow*. The exhibition featured material from the National Gallery's archive shown alongside some of Eastlake's key acquisitions for the collection.

*Leonardo da Vinci: Painter at the Court of Milan* was a landmark exhibition examining Leonardo's extraordinary observation, imagination and technique. The exhibition concentrated on his career as a court painter in Milan, working for the city's ruler Ludovico Maria Sforza, il Moro ('the Moor') in the 1480s and 1490s. Bringing together the largest ever number of Leonardo's rare surviving paintings, it included international loans never before seen in the UK.

*Turner Inspired: In the Light of Claude* opened in March 2012 and examines Turner's experience of Claude's art, bringing together closely related paintings and works on paper by both artists, many of which share the same themes. It demonstrates the ways in which Claude's example became integral to Turner's way of representing the world, even underpinning the modernity of his later works. It also introduces visitors to the story of the Turner Bequest and its importance in the history of the National Gallery.

## **Plans for the future**

### *Increase the depth and range of our collections*

The Gallery will continue to work with collectors to encourage new loans to extend the range of the collection. The Gallery will also work with donors and with collectors to seek to extend the range of acquisitions, including acquisitions of frames.

### *Maintain a full programme for conservation, supported by objective scientific study*

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

Activities planned for the coming year include instituting a programme of advanced fellowships in conservation as well as continuing important Gallery restoration projects such as *Veronese Adoration of the Shepherds*; *Rembrandt Frederick Rihel* and *Kitchen Scene* by Velazquez.

### *Create public programmes that enhance and illuminate the collection*

The Gallery will continue to develop the programme of imaginative summer exhibitions designed around the collection and will establish a programme of exhibitions and other public activities involving contemporary art.

## Broaden our appeal and provide an exceptional visitor experience<sup>2</sup>

### Activities during the year

#### *Maintain and develop a coherent display of the collections*

During the year, the Gallery has undertaken a number of projects that have enhanced the display of our collections. The Gallery continued its programme of returning picture galleries in the historic Wilkins Building to their early-twentieth century appearance complete with restored plaster work, new double-glazed roofs and new LED (Light Emitting Diode) lighting. The refurbishment of rooms 2 and 4 nearly completes the planned renovation of rooms. The rooms feature examples of the Gallery's sixteenth-century northern Italian painting collection (for example, Corregio and Parmagianino) and our sixteenth-century German collection (for example, Lucas Cranach and Hans Holbein).

In addition to installing LEDs in rooms 2 and 4, in the past year, the Gallery has installed the lighting into all of its galleries in the Sainsbury Wing, and by Spring 2013, we will have installed them in all of the rooms in the Wilkins Building. LEDs are advantageous for our use as they are free of ultraviolet components which can be harmful to paintings, use 85% less energy and last 25 times longer than do the tungsten halogen lights they are replacing.

The Gallery is one of the first institutions in the world to use these lights in conjunction with a system that automatically adjusts external roof light blinds according to the amount and angle of sunlight. As these lights can be dimmed with no change in colour temperature and as the system slowly augments the amount of light coming through the blinds, the constant and smooth adjustment of sunlight and artificial light is almost imperceptible in the galleries. In addition, with this control system in place, the galleries can often be illuminated by natural light alone.

The collection is now displayed in an environment that more extensively employs and better approximates natural light. While improving the public's enjoyment of the collection, the new lights will also reduce the Gallery's emission of carbon dioxide by over 400 tonnes each year.

#### *Strengthen public awareness of the National Gallery*

*Leonardo da Vinci: Painter of the Court of Milan* (9 November 2011 to 5 February 2012), played a major role in strengthening public awareness of the National Gallery during the year.

The target attendance of 260,000 was exceeded (280,727 paid admissions – 108% of budgeted target attendance; 323,897 in total – 125% of target), with additional late opening until 10pm at Christmas and during the last two weeks, extending to midnight for the last weekend. It enjoyed the highest number of advance bookings for any National Gallery exhibition ever (155,642), and it was the first exhibition ever to have sold out of advance bookable tickets in its opening days (day 3). Such was the demand that queues formed early in the morning for the (approximately) 500 tickets available at the Gallery each day. The exhibition was regarded as a 'must-see' cultural event, interest was on a global scale, and the phenomenal 'sell-out' success further fuelled demand.

The exhibition achieved the highest coverage of any National Gallery exhibition ever – reaching over 345 million people worldwide, worth over £16 million in advertising equivalent spend. In the UK alone there were 534 articles in the media – features, front page covers, blogs, print/video online in the national and regional press, art magazines and supplements, TV and radio news coverage. The editorial was almost entirely positive with headlines including *'the old master show of the year, if not the decade* (Telegraph); *It looks set to be the most important exhibition of the year in London – and possibly in the world* (Art Newspaper); *Serious ideas – and a serious exhibition. Genius even!* (The Guardian).

The Gallery also achieved a broadcasting first when, in partnership with Sky Arts, Phil Grabsky Films and Picturehouse Cinemas, it produced *Leonardo Live*, offering a chance for a large audience who might not get to see the exhibition to share in the excitement of the opening night of the exhibition in cinemas nationally, on the Sky Arts TV channels and, later in 2012, in cinemas worldwide.

In March 2012, the acquisition of Titian's *Diana and Callisto* by the National Gallery and the National Galleries of Scotland also generated extensive coverage, both in the United Kingdom and abroad, on TV, radio and press which strengthened awareness of the Gallery, the significance of its permanent collection and the importance of philanthropy.

<sup>2</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b) and (d) that the Board shall "secure that the works of art are exhibited to the public" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".



## Plans for the future

### *Maintain and develop a coherent display of the collections*

Installation of LED lighting throughout the main galleries will further enhance display, as will the restoration of original ceilings in Room 12. In addition, work will start to develop Gallery A as a space more congenial for the enjoyment of paintings and more convenient for teaching.

### *Strengthen public awareness of the National Gallery*

Plans to strengthen public awareness of the Gallery's collection and programmes in the coming year include the development of compatibility of the website with smartphones, the development of the website to extend its public service and its commercial potential and the development of plans for a membership scheme.

### *Integrate our approach to marketing, visitor services and programming and gain a better understanding of our visitors to offer an excellent and distinctive visitor experience*

Work will begin to improve visitor reception and information facilities. In addition a project to integrate audience research will be initiated with a view to deepening our understanding of our visitors. A more audience-focused approach to the planning of exhibitions will also be implemented.

## Inspire learning and engagement<sup>3</sup>

### Activities during the year

#### *Promote new ways of exploring the collection and learning about it*

The Gallery's education programme is one of the largest in Europe and in the last year over 75,000 pupils visited the Gallery for facilitated sessions; 1,900 teachers attended courses; over 12,442 families participated in the family programme, and over 82,000 adults participated in talks and tours. Highlights of the year have included the Take One Picture schools display, the launch of a programme for children with profound and multiple learning difficulties, the Big Draw week end of participation and the Leonardo adult learning programme which included a rich programme of events including Pop Up Learning for queuing visitors.

The Piggott Education centre has been refurbished during the year, providing improved accommodation for the many children and families that use the facility every day.

The Gallery published *Connecting to the Collection* – its new Digital Strategy in Sept 2011 highlighting priorities for the next phase of digital engagement. Visits to the website have risen by 2 million to 6.5million representing an increase of 44%.

#### *Develop the Gallery as a centre of excellence for academic research*

The Gallery published the latest volume in its new series of scholarly catalogues, *The Italian Paintings before 1400* by Dr Dillian Gordon, who recently retired as the Gallery's curator of Italian paintings before 1460, after a long and distinguished career. An extract from the catalogue was published on the Gallery's website, as part of its commitment to publishing a selection of new in-depth catalogue entries online. The publication coincided with the Gallery's free summer collection based-exhibition, *Devotion by Design*, which featured some of the works discussed in the catalogue. Two academic seminars were held in the exhibition, one of which involved students from two of the Gallery's academic partners, the University of York and King's College London. The Gallery and the University of York were awarded a Collaborative Doctoral Award by the Arts and Humanities Research Council on the subject of Renaissance architecture in painting, which will lead to further dissemination in the form of an exhibition and website publication.

The *National Gallery Technical Bulletin*, a special issue devoted to Leonardo da Vinci, was published in print and digitally on the Gallery's website for free download. In addition the entire back run of the *Bulletin*, including many out of print issues, was made available on the Gallery's website. The Leonardo exhibition itself provided the subject for a series of academic events, including a highly successful two-day technical conference, and a further conference held in collaboration with the Warburg Institute. The Walpole Society published the Gallery's archived travel journals of Sir Charles Eastlake, the Gallery's first Director, edited by Dr Susanna Avery-Quash, Research Curator, who also co-wrote a new biography of Sir Charles and Lady Eastlake, both published to coincide with the Gallery's Room One exhibition *Art for the National: Sir Charles Eastlake at the National Gallery*.

<sup>3</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b), (c) and (d) that the Board shall "secure that the works of art are exhibited to the public"; "secure that the works of art and documents are available to persons seeking to inspect them in connection with study and research" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".

A three-year project is in progress with the Wallace Collection to undertake detailed technical and analytical studies of 12 paintings by Sir Joshua Reynolds on public exhibition at Hertford House, with a view to determining their materials and techniques and potential for conservation treatment (funded by the Paul Mellon Centre for Studies in British Art). The project is now moving from the initial research phase to the assessment of the viability of specific treatments.

The on-going treatment of Giovanni Martini da Udine's *Virgin and Child with Saints George, James the Greater and a Donor* (NG778), has afforded new opportunities to work with the Getty Foundation's Panel Painting Initiative, a programme designed to facilitate collaboration and knowledge transfer in this highly specialized area of conservation 'to create new avenues for training emerging and mid-career professionals, to notch up advanced practitioners, and to increase knowledge on panel preservation'. Under the auspices of the Getty programme, Gallery staff have spent time visiting and working with specialists from the Metropolitan Museum, the Prado, and the Opificio delle Pietre Dure in Florence; the treatment of the *Virgin and Child with Saints*, while undertaken solely by Gallery staff, will in turn stimulate much helpful discussion and exchange among those experts.

The Gallery is a consortium member of a four-year pan-European project known as CHARISMA (Cultural Heritage Advanced Research Infrastructures: Synergy for a Multidisciplinary Approach to Conservation/Restoration; see [www.charismaproject.eu](http://www.charismaproject.eu)), which brings together in a research partnership 21 museums, conservation institutes and scientific facilities in 11 European countries to advance best practices and new research in object-based heritage science (supported by the European Commission). Two further research partnerships with universities and others are in progress under the AHRC/EP SRC 'Science and Heritage Programme'.

### Plans for the future

#### *Promote new ways of exploring the collection and learning about it*

A major project to develop new film content for the website will be initiated, and options will be assessed for the implementation of WiFi to enable visitors to access online material within the Gallery.

Our secondary schools programme will be extended, for example through a new programme based on Titian's *Diana and Callisto* to be developed and launched in partnership with the National Galleries in Scotland.

We will also extend our outreach activities and develop a programme to encourage arts students to use the Gallery for drawing.

#### *Develop the Gallery as a centre of excellence for academic research*

Our key research themes will be advanced and a new research theme initiated in collaboration with the National Galleries in Scotland relating to the study of Venetian art and its history. A number of collection catalogues are under development and a programme of publishing advance catalogue entries online will be instituted.

We will also develop plans for a research centre with a view to developing the Gallery's aspiration to become an international centre for the study of Old Master paintings.

### Invest in our staff, increase income and care for our physical facilities<sup>4</sup>

#### Activities during the year

##### *Invest in our staff*

The Gallery encourages the continuous learning and development of its staff, and supports staff to consolidate and further develop their skills and knowledge through a variety of training and development initiatives, including supporting continuing vocational and professional development. The Gallery delivers a regular programme of in-house training covering a range of areas from job specific skills to general staff and management development.

In 2011/12 this included:

- Training in support of the Visitor Services and Security Competency Framework (389 delegates)
- The Gallery's induction programme (104 delegates)
- Health & Safety training (77 delegates)
- IT skills courses (48 delegates)
- Training in support of disaster preparedness (43 delegates)

<sup>4</sup> Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) that the Board shall "care for, preserve and add to the works of art and documents in their collection".

- Personal effectiveness and interpersonal skills workshops (40 delegates)
- Management skills workshops (18 delegates)
- Foreign language tuition (8 delegates)
- Vocational and continuing professional development (73 delegates)

#### *Increase income*

The Gallery was very successful in its income generation strategy during 2011-12 due to two critical and exceptional factors: the acquisition of Titian's *Diana and Callisto* and the mounting of the *Leonardo: Painter at the Court of Milan* exhibition.

Fundraising for the acquisition is referred to in more detail under the section on fundraising below. Income from the Leonardo exhibition included corporate sponsorship as well as income from admissions, and the increased number of visitors also increased retail turnover, thereby increasing rental income for the Gallery.

Other income generation measures included two separate sponsorship programmes for hoardings to the Gallery's Trafalgar Square façade. This innovative type of corporate sponsorship, which included GE's living wall, which used plants to bring to life a Van Gogh painting, exploited the opportunity presented by restoration projects in the Gallery and illustrate the entrepreneurial approach taken to income generation.

#### *Care for our physical facilities*

In caring for and maintaining its physical estate, the Gallery makes an effort to implement energy efficiency technologies whenever it can. In addition to moving to LED lighting in the galleries, we have installed more energy efficient lighting in other parts of the facility such as the Sainsbury Wing grand staircase, back-of-house corridors and in our restaurants.

We have also completed the design of a new combined heat and power plant unit and commenced the installation to accept a new 850 Kw engine that will provide our base load electrical requirements in the future and will also provide heating from the waste heat of the engine, thereby reducing demand on our existing boilers. The installation is due to be completed in June 2012 and is expected reduce our carbon footprint by 1440 Tons CO2 per annum.

### **Plans for the future**

#### *Invest in our staff*

Our staff are at the heart of everything we do, from providing an excellent visitor service to preserving and protecting our collections. We aim to invest more in our staff over the coming years and in 2012-13 particular attention will be given to improving management practices, departmental operations and communication by developing policies and practices to strengthen performance management, enhance well-being and improve attendance.

#### *Increase income*

We will work during the coming years to increase income from Gallery operations from a broader range of sources, particularly through building existing sources of charitable income, developing a membership scheme and reviewing other income-generating opportunities to maximise commercial income.

#### *Care for our physical facilities*

We will continue to develop and care for our physical estate and in the year ahead will focus particularly on managing the Gallery's external space to create a pleasant and hospitable environment and on advancing our carbon management plan through continued investment in energy efficient plant and technology.

## DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS's performance indicators for 2012 as set out in the Funding Agreement agreed with DCMS:

	<b>Performance in 2012</b>	<b>Performance in 2011</b>
1. Number of visits to the Gallery (excluding virtual visitors)	5.4m	5.1m
2. Number of unique users visiting the website	6.5m	4.5m
3. Number of visits by children under 16	0.4m	0.3m
4. Number of UK adults aged 16 and over from NS-SEC groups 5–8 visiting the Gallery	0.4m	0.4m
5. Number of visits by UK adult visitors aged 16 and over from an ethnic minority background <sup>5</sup>	0.9m	0.7m
6. Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity <sup>5</sup>	0.2m	0.3m
7. Number of overseas visits <sup>5</sup>	3.1m	2.5m
8. (a) Number of facilitated and self-directed visits to the Gallery by children under 16 in formal education	141k	131k
8. (b) Number of instances of children under 16 participating in on-site organised activities	12k	12k
8. (c) Number of instances of children under 16 participating in outreach activity outside the Gallery	19k	28k
9. (a) Number of instances of adults aged 16 and over participating in organised activities at the Gallery	85k	88k
9. (b) Number of instances of adults aged 16 and over participating in outreach activities outside the Gallery	4k	–
10. % of visitors who would recommend a visit <sup>5</sup>	99%	99%
11. Number of UK loan venues	35	17
12. Number of peer reviewed publications	13	18
13. % of visitors who are satisfied or very satisfied with their visit <sup>5</sup>	100%	100%
14. Number of new initiatives and services designed to improve access for elderly visitors (those aged 60 and above)	–	6
15. (a) Self-generated income – admissions	£3.5m	£2.1m
15. (b) Self-generated income – trading	£4.1m	£3.6m
15. (c) Self-generated income – fundraising	£99.1m	£3.2m

<sup>5</sup> The outturn figures given for these measures are estimated based on total visitor numbers and the latest demographic research, which was completed in March 2012.

## Financial Review

### Financial position

The Gallery's results for the year were dominated by the acquisition of Titian's *Diana and Callisto*, which brought a heritage asset of £110 million on to the Balance Sheet, with correspondingly high levels of donation income reflected in the Statement of Financial Activities (SOFA). The SOFA is set out on pages 35 – 36 of this document. Incoming resources for 2012 amounted to £134.1 million (2011: £37.1 million); total resources expended amounted to £34.8 million (2011: £30.1 million), resulting in net incoming resources (before unrealised investment gains and revaluations) of £99.3 million (2011: £7.0 million), which related principally to donations to the collection.

Incoming resources from generated funds for the year totalled £130.4 million (2011: £35.8 million). The figure includes incoming resources relating to picture acquisitions of £98.0 million, as well as government Grant-in-Aid and other donations, legacies and income from corporate supporters. Incoming resources relating to picture acquisitions were largely attributable to funds raised for the acquisition of Titian's *Diana and Callisto*, as well as a gift in kind element of £68.5 million, representing the difference between the capitalised value of the painting and the consideration paid. Incoming resources from charitable activities for the year totalled £3.7 million, higher than the prior year result of £1.3 million, reflecting the commercial success of the *Leonardo* exhibition.

The Gallery's total expenditure for the year before exceptional items was £34.6 million, higher than expenditure incurred in 2011 of £29.6 million, due in part to the increased cost of the exhibitions programme as well as to a grant paid to the National Gallery Trust for the furtherance of the Gallery's charitable objects. An exceptional provision of £0.2 million for restructuring costs has been included to cover the costs of known voluntary redundancies, which will be paid during the coming financial year.

The net movement in funds for the year amounted to £93.1 million (2011: £15.7 million). The net movement includes any gain or loss on the value of the Gallery's land and buildings, any gain or loss on its investments and the value of donated works of art capitalised as collection acquisitions. This year the movement includes a loss on revaluation of £4.0 million (2011: gain of £7.9 million) and investment losses of £2.3 million (2011: gains of £0.9 million).

In accordance with the Government Financial Reporting Manual (FRM) – which reflects the requirements of Financial Reporting Standard (FRS) 30 – works of art are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

The Trustees consider that the cost of valuing pictures in the collection, where cost or valuation information is not available but would be possible to obtain, would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet.

The treatment required by FRS 30 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole. Further information on the nature and scale of the Gallery's collection can be found in note 13 and on the Gallery's website.

Details of the treatment of pension liabilities are disclosed in the Remuneration Report and the effect of the revaluation of land, buildings, and plant and machinery is disclosed in note 12. The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

### Fundraising and resources

Grant-in-Aid from the Department of Culture, Media and Sport (DCMS) amounted to £26.7 million for the year ended 31 March 2012. The Gallery generated additional income as a result of its exhibitions, educational activities and fundraising programme.

Fundraising activity in the year was focused on the campaign to acquire Titian's *Diana and Callisto*, and the Gallery is indebted to its supporters who made this possible, including the Heritage Lottery Fund, the Art Fund, the Monument Trust, The Rothschild Foundation, Chris Rokos, Sir Siegmund Warburg's Voluntary Settlement, the J. Paul Getty Jnr Charitable Trust, James and Clare Kirkman, Sarah and David Kowitz and others who prefer to remain anonymous.

In addition to raising funds for the acquisition, the Gallery continued to focus on raising charitable income from individuals, grant making trusts and companies and on generating trading income through corporate sponsorship and membership. Charitable support, largely from individuals and grant making trusts, made

an important contribution to the Gallery's operational activity and capital development. Our education work benefited significantly as a result of major donations and grants from individual donors and charitable trusts and we also received valuable funding towards the completion of restoration work in the main galleries.

The Gallery attracted private support for curatorial assistant posts, academic colloquia and the publication of catalogues. Charitable income also supported the work of the framing, scientific and conservation departments as well as the weekly provision of flowers in the Gallery's main portico entrance. In addition to funding day-to-day activities and capital projects, charitable income continued to be received for Titian's *Diana and Actaeon* acquired in 2009. Legacy income was designated for future picture acquisitions.

On the commercial side, the Gallery's partnership with Credit Suisse continued to play a vital role in contributing to the Gallery's activities as a whole and in sponsoring *Leonardo: Painter at the Court of Milan* in particular. Innovative sponsorship arrangements related to hoardings on the Gallery's façade were also entered into during the year, and income from the corporate membership scheme was particularly robust, thanks to the commitment of our long-term corporate members and the attraction of our exhibition programme.

Philanthropic support and corporate sponsorship continued to make an essential contribution to the Gallery's capacity to preserve, enhance and display its collection for public enjoyment. Raising funds from the private sector has never been more important than it is today, and the Gallery remains indebted to every individual, trust and company for their support during the course of this year.

## Investment policy

### Scope of investment powers and power to delegate management of investments

The trustees, in respect of their general funds, including assets given to them without restriction by donors or testators, rely for their investment powers on the general power in section 2(6) of the Museums and Galleries Act 1992, which permits them to do such things as they may think necessary or expedient for the purpose of fulfilling their functions under the Act. This implies a wide power of investment. In respect of general funds, the Board may delegate investment decisions to a committee of the Board, under the powers in the 1992 Act, but have no power to delegate investment decisions to third parties.

Funds held on trust ('trust funds') are governed by a Charities Act Scheme varied by resolution of the Board in March 2012 to provide wide powers of investment similar to those available under the Trustee Act 2000. In respect of these funds, the Board has a power to delegate investment decisions to a committee of the Board and also has an express power to delegate the management of investments to financial experts, subject to the restrictions laid out in the Scheme.

#### *Investment objectives*

The Gallery's reserves policy sets out the level of general funds required to meet working capital needs and to provide a safeguard against volatile and unpredictable income streams. General funds are held with a view to maximising return within the constraint of ensuring adequate liquidity to meet working capital needs.

Trust funds represent funds held on trust for particular purposes. Some trust funds are expendable within the short-term, but many are not immediately expendable and some are permanent endowments, where the capital cannot be spent. To the extent that trust funds are not expendable over the medium term, these are invested with a view to maximising long-term total return.

Trust funds that may be expended over the short to medium term are invested with a view to maximising return whilst retaining appropriate levels of liquidity, subject to other constraints set out in this policy. Such trust funds are separately identifiable from general funds.

#### *Attitude to risk*

The trustees recognise that risk is part of the investment process. Trust funds held for the long-term are invested with a view to maximising total return over time and trustees accept the capital and market risks inherent in this type of investment. Capital and market risks are mitigated to some extent by diversification of investments, for example through the use of cash deposits for remaining funds.

All the Gallery's investments are held with institutions of the highest quality to combat counterparty risk. Funds may only be placed with a new institution with the approval of the Finance Committee.

### *Types of investment*

Suitable investments include equities, bonds and cash deposits. The Gallery will not usually hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such an instrument or where it is held as part of a defined investment strategy.

### *Investment management*

The Board delegates investment of trust funds to the Finance Committee. The Finance Committee monitors the performance of investments and ensures compliance with the investment policy. The Finance Committee considers the investment objectives annually and recommends any changes to the Board.

The Finance Committee is able to appoint investment managers, and where they choose to do so the performance of investment managers is reviewed at least annually and is reported to the Board.

Investments are measured against an appropriate benchmark. Equity investments are measured against a suitable index. The return on cash deposits is measured against the UK bank base rate.

### *Investment performance*

The nature of investments held during the year has changed due to the decision by the Board of Trustees to allocate £25 million of accumulated funds to the acquisition of Titian's *Diana and Callisto*. This necessitated the sale of a significant portion of the investment portfolio, and resulted in a high level of cash-based assets held at the year-end, pending payment for the picture in April 2012.

Remaining funds, representing permanent endowments or restricted funds held for the longer term were invested in a developed market equities total return fund during February and March 2012. The return on this fund during the final quarter of the financial year was 8.53%. The benchmark for this fund is the MCSIWorld Index, which returned 5.03% during the quarter ended 31 March 2012.

The Gallery holds other private funds in money market deposits and fixed rate interest accounts. Performance is measured against the UK bank base rate and in 2011-12 the fixed rate weighted average interest rate was 0.61% compared with the base rate of 0.5%.

Details on the movement of investments during the year can be found in note 14.

## Reserves policy

The Gallery seeks to maintain unrestricted general funds not committed or invested in tangible fixed assets at a level equivalent to six-months' worth of non-guaranteed (i.e. non-contractual) income, as a safeguard against volatile and unpredictable income streams.

However, given that Grant-in-Aid is not drawn down in advance of need and that significant funds may be required for picture purchases, the level of unrestricted general funds may exceed this level at any point in time. Grant-in-Aid should not be held in reserves and will therefore normally be expended in the month it is received.

Restricted funds represent funds held for specific purposes as specified by the donor. These are separately recorded and invested until they can be expended in accordance with the restriction in place. Some restricted funds are held for the long-term due to the nature of the restriction.

Permanent endowments represent funds that cannot be expended. These are separately recorded and invested for the long-term in accordance with the investment policy.

The reserves policy is reviewed by the Audit Committee annually and where appropriate changes are made to reflect likely funding requirements in the coming year.

The aggregate value of reserves is £462.7 million. A breakdown of these is shown in the Balance Sheet and in the Statement of Funds (note 19). A significant proportion of the funds (£206.5 million) are represented by the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery and equipment. These funds are therefore effectively inalienable. A further £243.3 million is represented by the value at the date of acquisition of donations to the collection and pictures acquired since 1 April 2001, and £ 1.1 million relates to funds restricted for future acquisitions.

Of the remaining £11.8 million, £4.8 million is in permanent endowments (where the capital cannot be touched) and £3.7 million represents other restricted funds. A further £1.6 million is private income (mainly from bequests), which, because of the nature of the income, the Trustees have designated for picture purchases. The remaining balance of £1.5 million represents undesignated general funds of private income, which the Audit Committee agreed at their meeting in March 2012 was an appropriate level to maintain, in accordance with this policy.

## The trust funds of the National Gallery

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



## Reference and Administrative Details

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

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

### History

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

### Organisation

The Gallery is a Non-Departmental Public Body, whose sponsor department is the Department for Culture, Media and Sport (DCMS). The Gallery is exempt from the need to register with the Charity Commission.

Further information about trustees and senior management, together with information on structure, governance and management can be found in the Governance Report.

The principal address of the charity is:

The National Gallery  
Trafalgar Square  
London WC2N 5DN

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

### Advisors

Banking Services	Government Banking Service (GBS) Southern House 7th Floor Wellesley Road Wellesley Croydon CR9 1WW	Coutts & Co. 440 Strand London WC2R 0QS
Auditors	The Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP	
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH	Various other solicitors are used as required.
Investment Managers	BlackRock Investment Management (UK) Ltd 33 King William Street London EC4R 9AS	

### Payment policy

The Gallery aims to settle all bills either within the period stated by the supplier or within 30 days. The year-end creditor day ratio was 43 days (2011: 69 days).

### Equal opportunities

The Gallery is committed to equal opportunities for all job applicants and employees. The Gallery's policy is that no applicant or employee should receive less favourable treatment than another on grounds of gender

(including gender reassignment), sexual orientation, marital or family status, civil partnership status, race, colour, nationality, ethnic or national origins, religion or similar belief, disability, age or trade union membership or any other condition or requirement which cannot be shown to be justifiable.

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

The Gallery recognises that the principle of equal opportunity applies to all recruitment; to all terms and conditions of service, including pay, hours of work, leave, retirement and pensions; and to human resources management and development including staff performance reviews, training and promotion. The Gallery aims, in this way, to provide a working environment which is free from unfair discrimination and from harassment. The Gallery's equal opportunity policy is drawn to the attention of all employees and job-applicants through the application process and is disclosed in the Staff Handbook.

### Sickness absence management

The average number of days of employee absence due to sickness was 9.3 days (2011: 7.4 days). Excluding long term sickness, the average number of days of absence was 4.4 days (2011: 4.7 days).

### Immunity from Seizure Report 2011-12

This report applies to the third successive year of the application of the legislation passed in 2007 (under Part 6 of the Tribunals, Courts and Enforcement Act 2007) to provide immunity from seizure for objects from abroad lent to temporary exhibitions. The National Gallery gained approval in 2008 to apply for protection for specific loans to exhibitions under the provisions of the Act.

The Gallery has continued to apply the necessary processes developed in the first year following its approval under the Act. These involve compiling details of provenance for each exhibition loan, researching and recording further information and carefully considering any gaps in provenance. Details of the objects requiring immunity from seizure together with details of the research undertaken are published on the National Gallery website at least four weeks and one day before the objects are imported into the UK.

Exhibitions including works for which protection under the legislation was sought during 2011-12 are as follows:

*Leonardo da Vinci: Painter at the Court of Milan*  
9 November 2011 – 5 February 2012  
12 paintings and 17 drawings

*Turner Inspired: In the Light of Claude*  
14 March 2012 – 5 June 2012  
2 paintings

*Titian's First Masterpiece: The Flight into Egypt and its Context*  
4 April 2012 – 19 August 2012  
3 paintings

At the balance sheet date, no enquiries or claims had been received with respect to these objects under section 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

## Sustainability report

Our sustainability aim is to save energy and reduce our carbon footprint. We are committed to integrating environmental considerations into our activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement.

We have prepared this Sustainability Report in order to provide information on the plans we have in place for reducing carbon emissions. The report has been prepared in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting.

### Summary of performance

We have a fully documented Carbon Management Plan (<http://www.nationalgallery.org.uk/about-us/organisation/policies/carbon-management-plan>) and during 2011-12 we have undertaken a number of projects as set out in our plan, to improve sustainability and to lay the foundations for significant reductions in emissions in future years. These included:

- Replacement lighting in a number of galleries using energy efficient LED bulbs;
- Implementation of a boiler optimisation strategy within the Building Management System;
- Installation of solar film above the Room 3 shop; and
- Commissioning and construction of a combined heat and power unit for installation in 2012-13.

Our performance is summarised in the table below:

Area		2011-12 Performance	
		Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3) tCO <sub>2</sub>		7,370	6,692
Estate energy	Consumption (million KWh)	20.8	–
	Expenditure (£ million)	1.2	–
Estate waste	Amount (tonnes)	770.6	–
	Expenditure (£'000)	54	–
Estate water	Consumption ('000 m <sup>3</sup> )	36	–
	Expenditure (£'000)	64	–

Whilst total Greenhouse Gas Emissions (GHG) emissions were in excess of target, emissions were 6% lower than in 2010-11. It is anticipated that the installation of a combined heat and power unit during 2012-13 will reduce emissions in line with target over the coming years.

### Summary of future strategy

Our Carbon Management Plan outlines our sustainability strategy and the specific measures we will take to reduce our carbon dioxide emissions by over 40% by 2015. The key strategy is to reduce greenhouse gas emissions through the installation of energy-efficient plant and equipment. Key projects for achieving this include the installation of a combined heat and power unit and the installation of energy-efficient LED lighting throughout the galleries.

### Greenhouse Gas Emissions

The National Gallery's collection is predominately housed in a grade 1 listed nineteenth century building which accommodates over 5 million visitors a year. The nature of the collection is such that it requires carefully controlled environmental conditions, and most of our spaces are fully air-conditioned to best preserve the paintings. A high proportion of our carbon footprint is associated with the energy required to maintain the environmental conditions within the galleries.

Our Carbon Management Plan sets out the direction we are taking to reduce our GHG emissions. A fundamental strategy for reduction is the installation of a combined heat and power unit. This was constructed during 2011-12 and will be installed early in 2012-13. We will begin to realise the benefits of this energy saving plant in 2012-13 through a reduction in emissions – by March 2015 we anticipate the CHP unit will have reduced emissions by

1,440 tCO<sub>2</sub>e, over half of our budgeted emissions over that period. The following table shows our GHG emissions in the last two financial years.

<b>Greenhouse Gas Emissions</b>		<b>2010-11</b>	<b>2011-12</b>
Non-financial indicators (tCO <sub>2</sub> e)	Total gross emissions	7,823	7,370
	Gross emissions Scope 1 (direct)	7,778	7,329
	Gross emissions Scope 2 & 3 (indirect)	44	41
Related energy consumption (million KWh)	Electricity: non-renewable	10.2	9.8
	Gas	12.4	11.0
Financial indicators (£ million)	Expenditure on energy	1.0	1.2
	CRC License Expenditure	-	-
	Expenditure on accredited offsets	-	-
	Expenditure on official business travel	0.1	0.1

## Waste

We aim to reduce waste and to ensure as much waste as possible is reused or recycled. Our performance with respect to waste can be seen in the following table:

<b>Waste</b>			<b>2011-12</b>	
Non-financial indicators (tonnes)	Total waste		770.6	
	Hazardous waste	Total	-	
		Non-hazardous waste	Landfill	-
			Reused/recycled	475.8
			Composted	-
			Incinerated with energy recovery	294.8
		Incinerated without energy recovery	-	
Financial indicators (£k)	Total disposal cost		54	

Comparative figures are not available for 2010-11 as 2011-12 has been the first year of collecting data.

## Use of resources

<b>Finite resource consumption</b>		<b>2010-11</b>	<b>2011-12</b>
Non-financial indicators ('000m <sup>3</sup> )	Water consumption	30.6	36.0
Financial indicators (£k)	Water supply costs	35	64

## Remuneration report

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

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

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2011: £nil).

### *Director’s remuneration and benefits*

The salary and performance award details for the Director are as follows:

	2012		2011	
	Salary	Performance related pay	Salary	Performance related pay
	£	£	£	£
Nicholas Penny	<b>140,000</b>	–	140,000	–

Dr Penny is eligible for a performance-related bonus in the range of 0% to 20%. This bonus was not offered in 2012 or in 2011 given the current economic climate.

No provision is made within the Director’s contract for non-cash benefits and none were paid. The notice period of the Director is six months.

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

The Director’s appointment is for an indefinite period. In accordance with the provisions of the new occupational defined benefit pension scheme the Director may retire at 65. The Director’s contract of employment determines the circumstances in which a compensation payment may be made. The compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

### *Senior managers’ salary, performance award and benefits*

	2012 £’000	2011 £’000
Jillian Barker <i>Director of Education, Information and Access</i>	<b>65 – 70</b>	65 – 70
Susan Foister <i>Director of Collections</i>	<b>70 – 75</b>	70 – 75
Larry Keith <i>Director of Conservation</i>	<b>55 – 60</b>	55 – 60
Gregory Perry <i>Director of Operations and Administration</i>	<b>70 – 75</b>	70 – 75
Ashok Roy <i>Director of Science</i>	<b>70 – 75</b>	70 – 75
Sarah Ward <i>Director of Public Affairs and Development</i>	<b>80 – 85</b>	75 – 80 <sup>6</sup>

The Gallery’s remuneration policy applies to all staff, including senior management. Staff are paid according to the nature of the role they perform and each job is graded and included in a salary band. There are ten salary bands and the senior managers covered by this report are all in salary band one.

No provision is made within the contracts of the above individuals for non-cash benefits, and there is no entitlement to performance-related awards. None of the individuals mentioned above received any benefits in kind nor any bonus. The notice period for the above individuals is three months. The appointment of the above individuals is for an indefinite period and the compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

#### *Pensions*

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

The accrued pension and lump sum payments as at 31 March 2012 for senior managers and the Director are as follows:

<b>Pension</b>	<b>Accrued pension at pension age as at 31 March 2012 and related lump sum</b>	<b>Real increase (decrease) in pension and related lump sum at pension age</b>	<b>CETV at 31 March 2012</b>	<b>CETV at 31 March 2011<sup>7</sup></b>	<b>Real increase (decrease) in CETV<sup>8</sup></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Nicholas Penny	95 – 100	(0 – 2.5)	1,553	1,463	(36)
Jillian Barker	0 – 5	0 – 2.5	34	20	10
Susan Foister	25 – 30 <b>plus 80 – 85 lump sum</b>	(0 – 2.5) <b>plus (0 – 2.5) lump sum</b>	595	554	(11)
Larry Keith	15 – 20 <b>plus 45 – 50 lump sum</b>	(0 – 2.5) <b>plus (0 – 2.5) lump sum</b>	278	258	(1)
Gregory Perry	0 – 5	0 – 2.5	37	21	11
Ashok Roy	30 – 35 <b>plus 60 – 65 lump sum</b>	(0 – 2.5) <b>plus (2.5 – 5.0) lump sum</b>	668	660	(15)
Sarah Ward	5 – 10	0 – 2.5	99	74	16

#### *Cash Equivalent Transfer Value*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include an additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

#### *Real increase in CETV*

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

<sup>7</sup> The actuarial figures used to calculate CETVs were changed in 2012. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

<sup>8</sup> Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

*Calculation of Pay Differentials*

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 remuneration of the highest-paid director at the National Gallery in 2011-12 was £140,000 (2010-11: £140,000). This was 8.09 times (2010-11: 8.24 times) the median remuneration of the workforce, which was £17,300 (2010-11: £17,000).

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

In 2010-11 the Gallery entered into the civil service pay freeze, which resulted in a two year freeze for those earning £21,000 or above. This has had the effect in raising the year-on-year median remuneration level.

**Signed:**  
**Nicholas Penny**  
**Director and Accounting Officer**

**Dated: 28th June 2012**

**Signed:**  
**Gautam Dalal**  
**On behalf of the Board of Trustees**

**Dated: 28th June 2012**

## Statement of Trustees' and Director's responsibilities

Under the Section 9(4) of the Museums and Galleries Act 1992 the Secretary of State for Culture, Olympics, Media and Sport, with the consent of the Treasury has directed the National Gallery to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Gallery and of its incoming and outgoing resources, changes in funds and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction<sup>9</sup> 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 on a reasonable basis;
- 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 a going concern basis.

The Secretary of State for Culture, Olympics, Media and Sport has designated the Director as Accounting Officer of the National 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 Gallery's assets, are set out in the *Government Financial Reporting Manual* published by HM Treasury.

**Signed:**  
**Nicholas Penny**  
**Director and Accounting Officer**

**Dated: 28th June 2012**

**Signed:**  
**Gautam Dalal**  
**On behalf of the Board of Trustees**

**Dated: 28th June 2012**

<sup>9</sup> a copy of which is available from the National Gallery, Trafalgar Square, London, WC2N 5DN.



## Governance Statement

This statement sets out the Gallery's corporate governance and risk management framework, which provides the structure within which resources are managed and controlled.

### Governance framework

The Gallery is governed by the Museums and Galleries Act 1992, under which a body corporate known as the Board of Trustees of the National Gallery was established. The Charities Act 2011 confirms the charitable status of the Board of Trustees of the National Gallery and its exemption from the need to register with the Charity Commission. Both acts can be viewed at [www.legislation.gov.uk](http://www.legislation.gov.uk).

The Gallery is governed by a Board of Trustees. The establishment, constitution, functions and property of the Board of Trustees can be found in Section 1 to the Museums and Galleries Act 1992. The general functions of the Board of Trustees can be found in Section 2 to the Museums and Galleries Act 1992.

The Gallery has no less than 12 and no more than 14 Trustees at any time. All Trustees except one are appointed by the Prime Minister, currently for a period of four years with the possibility of renewal. In addition, Tate appoints one Trustee from its own Board. The following is a list of the Trustees of the National Gallery during the year to 31 March 2012:

	<b>Attendance at Board meetings</b>
Mr Mark Getty (Chairman)	6/6
Lady Normanby (retired 1 February 2012)	5/5
Professor David Ekserdijan	6/6
Ms Patricia Lankester	5/6
Lady Heseltine	4/6
Mr Michael Hintze	4/6
Ms Caroline Thomson	5/6
Ms Hannah Rothschild	6/6
Mr Gautam Dalal	5/6
Professor Anya Hurlbert	6/6
Mr John Nelson	5/6
Mr Lance Batchelor	5/6
Mr Dexter Dalwood	6/6

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

- given the Trustee Handbook, which sets out the structure, role and responsibilities of the Board, and includes detailed information about standards, accountability and governance, including the Code of Best Practice for individual Trustees, and the Board's Conflicts of Interest Policy;
- given copies of the latest Corporate Plan, Funding Agreement, Annual Review and Financial Statements and key strategy documents; and
- given the equivalent of about 2 days' worth of induction, meeting members of the senior management team to learn about the work of the Gallery.

The Gallery follows governance best practice for public service and charitable bodies, and insofar as it applies, the Gallery complies with the principles of the *Corporate governance in central government departments: code of good practice 2011*.

The Board has a Code of Best Practice for individual Trustees, which sets out the responsibilities of individual trustees and also the Board's Conflicts of Interest Policy. This provides that Trustees must avoid conflicts of interest wherever possible; discuss any difficulty with the Chairman; agree the right course of action; and record the decision. At meetings of the Board, actual or potential conflicts of interest are formally identified at the start of each meeting and the manner in which the conflict is dealt with is minuted.

The Board maintains a Register of Trustees' Interests which is updated twice a year and is reviewed once a year by the Board's Audit committee. The Register is available for inspection on application to the Secretary to the Board.

The Board of Trustees meets formally 6 times a year and copies of Board minutes are published on the Gallery's website. Attendance at Board meetings during the year by those eligible to attend has averaged over 88%.

The Board collectively is responsible for the Gallery's statements of values, aims and strategy; statements of required governance, procedures, standards and structures; specific decisions which are not delegated to the Executive and the holding of management to account for implementation and performance

The Board delegates operational responsibility to the Director within an agreed framework. The Director and Accounting Officer as at 31 March 2012 is Dr Nicholas Penny. The Accounting Officer is responsible for accounting to Parliament, DCMS, the Board of Trustees and other stakeholders. The Accounting Officer has personal responsibility for ensuring propriety and regularity in the management of public funds and for the day-to-day management of the National Gallery.

The Director has appointed a number of senior staff to act as executive directors of certain functional areas. These individuals are considered senior managers for the purposes of the Remuneration Report. The individuals defined as senior managers during the year ended 31 March 2012 are:

Jillian Barker  
Susan Foister  
Larry Keith  
Gregory Perry  
Ashok Roy  
Sarah Ward

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

## Committees of the Board

The Board delegates some of its responsibilities to committees. The remit and structure of committees operating during the year is set out below:

<b>Committee</b>	<b>Key responsibilities</b>	<b>Membership</b>	<b>Number of meetings attended</b>	<b>Number of meetings held</b>
Audit	To support the Board and Accounting Officer in their responsibilities for issues of risk, control and governance, by reviewing the reliability and integrity of assurances provided.	Gautam Dalal (Chair) Mark Getty Nick Land* Sir Colin Southgate*	4 4 4 3	4
Finance	To support the Board and Accounting Officer in their responsibilities for effective financial management of the Gallery	Gautam Dalal (Chair) Mark Getty Nick Land* Sir Colin Southgate*	4 4 4 3	4
Investment	To invest funds in the National Gallery's Trust Funds Pool	Hugues Lepic (Chair)* David Landau* Mark Getty	2 2 1	2
Nominations	To manage the process of appointments to the Board to ensure that the Board has the skills it requires to achieve its objectives	Mark Getty (Chair) David Ekserdjian Hannah Rothschild Nicola Normanby (to 1.02.2012) Anne Heseltine (from 1.02.2012)	6 6 6 5 n/a	6
Remuneration	To advise the Board on the terms of appointment for the Director and on his remuneration	Mark Getty Patricia Lankester Caroline Thomson	n/a	–

\*Independent committee members.

The Committees of the Board reported the following key achievements and findings to the Board during the year:

At the start of the year there was one existing vacancy on the Board. The Nominations Committee reviewed the coverage of skills on the Board, and recommended to the Board the skills and experience which should be sought when filling this vacancy; conducted a search to fill this vacancy in accordance with DCMS and OCPA guidelines and made a recommendation for appointment in February 2012. At the end of the year, no appointment having been made, and one Trustee having retired during the course of the year, two vacancies existed on the Board.

The Investment Committee recommended to the Board the widening of their powers of investment through a resolution, which was passed in March 2012. The Investment Committee further recommended that as the value of investments had significantly decreased following the acquisition of Titian's *Diana and Callisto*, and the nature of the portfolio had changed, their responsibilities might more effectively be performed by the Finance Committee. The Board accordingly resolved to dissolve the Investment Committee and to delegate responsibility for monitoring the management of investments to the Finance Committee with effect from 22nd March 2012.

In view of the Government pay freeze for senior staff including the Director which applied during the year 2011-12, the Remuneration Committee did not meet in the year.

The Audit Committee provided assurance to the Board in the form of its Annual Report, which covered the work of external and internal auditors during the year as well as the overall risk management framework. The Audit Committee also reported to the Board during the year and of particular note was the on-going work to improve the security of the collection, which has been subject to of internal audit and external reviews. The Audit Committee is of the opinion that the Gallery is responding appropriately to the risks around security, but this remains an area under active review.

The Finance Committee recommended the adoption of the budget set out within the corporate plan for 2012-13 and also recommended to the board the payment of a grant to the National Gallery Trust to further the charitable objects of the Gallery. This recommendation was adopted by the Board at its meeting in March 2012. The Corporate Plan was reviewed and approved by the Board in May 2012.

## Achievements and Effectiveness of the Board

The key achievement of the Board during 2011-12 was the successful acquisition of Titian's *Diana and Callisto*. The Board worked with the Director to develop a clear strategy in respect of this acquisition and the success of the campaign would not have been possible without the active involvement of Trustees.

The Board also counts among its significant achievements for 2011-12 the exhibition *Leonardo: Painter at the Court of Milan*, a project several years in development which resulted in considerable critical, popular and commercial success.

The Board reviewed its own effectiveness in June 2011. Board members were asked to rate the board's effectiveness by responding to questions relating to the following areas namely: strategy; management of meetings; board relationships and leadership; relationships with staff; committees of the Board; induction, training and succession. In relation to all these areas, the Board overall rated effectiveness highly or very highly. On a scale of 1-5, with 1 being best, board members overall rated the effectiveness of the Board in relation to other boards they had served on as 2. As a result of the board effectiveness survey the Board identified aspects of Gallery work which they would like to devote more time to in Board meetings. Other improvements arising from the survey included the provision of a forward plan of board business and additional opportunities to learn more about the Gallery's collection.

The quality of information provided to the Board was specifically included as part of the review of Board effectiveness. Overall, Trustees strongly agreed that the papers they receive are of appropriate quality and detail. The quality of information provided is of a high standard and is subject to continuing review and improvement.

## Risk Management

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

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

The Accounting Officer is responsible for managing risk and ensuring an effective system of internal control is in place. The Accounting Officer places assurance on the work of the Internal Controls Committee, an executive committee which meets 4 times a year to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. The Internal Controls Committee uses a comprehensive risk register as

a tool for managing risk, and recommends areas for internal audit based on the analysis of risks in the register. The Internal Controls Committee also reviews and is informed by the work of Internal Audit. The minutes of the Internal Controls Committee, together with its assessment of key risks, are reviewed by the Audit Committee at each meeting.

Areas of emerging risk identified by the Internal Controls Committee during the year included elements of the Gallery's security arrangements, which were re-assessed following incidents including an act of vandalism in the Gallery and a protest mounted by Greenpeace on the Gallery roof. As a result of increasing the level of perceived risk in relation to security arrangements, internal audit reviews have been undertaken in specific areas and an external review of the Gallery's security provision has also been performed. The Audit Committee has closely monitored the Gallery's response to these reviews and is confident that appropriate corrective action has been taken in critical areas and that further work is in hand to continue to enhance security procedures.

Other areas considered as key risks by the Internal Controls Committee during the year included the financial risk arising from the continued pressure on public sector expenditure and uncertainty over future reductions in Grant-in-Aid. Action was taken to ensure the budgeting process was conducted to maintain a downward pressure on costs in response to this risk.

Further areas of emerging risk included staff relations, in the context of changes to security arrangements and reductions in staff, and the reputational risk potentially arising from association with certain corporate supporters. In response to these identified risks, a review of internal communications will be conducted in the coming year and the Gallery is in the process of reviewing its policy on ethical fund-raising.

Internal Audit's primary role is to give the Accounting Officer and the Trustees an independent and objective opinion on the Gallery's risk management, internal control and governance. Internal Audit issues an Annual Report to the Accounting Officer, which is reviewed by the Accounting Officer and the Audit Committee and which includes Internal Audit's opinion of risk management in the Gallery and a Statement of Assurance on Internal Control. Internal Audit's opinion for 2011-12 is given below.

The Audit Committee provides an annual report to the Board, which includes its opinion on the comprehensiveness, reliability and integrity of assurances received for the purpose of supporting the Board in their overall management of risk.

All Budget Holders provide the Accounting Officer with annual Assurance Statements, and these are subject to Internal Audit review.

## Risk assessment

The Accounting Officer and Board of Trustees consider the framework of internal controls and risk management to be effective, although they acknowledge weaknesses were identified during the year relating to certain security controls. This view is supported by the Annual Report of the internal auditor, who provided assurance on the Gallery's management of risk during the year, limited by the control weaknesses identified during an internal audit of the Gallery's security procedures manual and physical penetration testing. These reviews were conducted as part of the Gallery's active response to security incidents arising during the year and corrective action is being taken to address the control weaknesses identified.

The Gallery has suffered no protected personal data incident during 2012 and has made no report on such a loss to the Information Commissioner's office.

**Signed:**  
**Nicholas Penny**  
**Director and Accounting Officer**

**Dated: 28th June 2012**

**Signed:**  
**Gautam Dalal**  
**On behalf of the Board of Trustees**

**Dated: 28th June 2012**

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

I certify that I have audited the financial statements of the National Gallery for the year ended 31 March 2012 under the Museums and Galleries Act 1992. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the 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, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director as 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 Gallery's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Gallery; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. 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 the 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 incoming resources and the 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 financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Gallery's affairs as at 31 March 2012 and of its incoming resources and resources expended 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 directions issued by the Secretary of State for Culture, Olympics, Media and Sport under the Museums and Galleries Act 1992; and
- the information given in the Objectives and Activities, Financial Review, Reference and Administrative Details, Sustainability Report and Governance Statement included within the 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.

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

3 July 2012

# Statement of Financial Activities

for the year ended 31 March 2012

Note	OPERATING INCOME AND EXPENDITURE			Funded capital projects and revaluations (a)		Acquisitions for the collection (b)			TOTAL 2012			TOTAL 2011	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total	(Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Incoming resources</b>													
<b>Incoming resources from generated funds</b>													
<b>Voluntary income</b>													
Grant-in-aid	22,959	–	22,959	–	3,785	–	–	–	22,959	3,785	–	26,744	28,201
Other government grants	–	7	7	–	–	–	–	–	–	7	–	7	162
Donations	179	753	932	–	660	–	97,040	97,040	179	98,453	–	98,632	2,914
Legacies	–	–	–	–	–	76	362	438	76	362	–	438	277
<b>Activities for generating funds</b>													
Investment income	3,365	–	3,365	587	–	587	–	–	3,952	–	–	3,952	3,402
<b>Investment income from charitable activities</b>													
Exhibitions	40	20	60	–	–	372	233	605	412	253	–	665	812
Educational activities	3,533	–	3,533	–	–	–	–	–	3,533	–	–	3,533	1,127
	174	–	174	–	–	–	–	–	174	–	–	174	203
<b>Total incoming resources</b>	<b>30,250</b>	<b>780</b>	<b>31,030</b>	<b>587</b>	<b>4,445</b>	<b>448</b>	<b>97,635</b>	<b>98,083</b>	<b>31,285</b>	<b>102,860</b>	–	<b>134,145</b>	<b>37,098</b>
<b>Resources expended</b>													
<b>Costs of generating funds</b>													
Fundraising costs	(1,158)	–	(1,158)	–	–	–	–	–	(1,158)	–	–	(1,158)	(1,163)
Investment management costs	–	(8)	(8)	–	–	(50)	(23)	(73)	(50)	(31)	–	(81)	(108)
	(1,158)	(8)	(1,166)	–	–	(50)	(23)	(73)	(1,208)	(31)	–	(1,239)	(1,271)
<b>Charitable activities</b>													
Exhibitions	(2,443)	(268)	(2,711)	–	(353)	–	–	–	(2,443)	(621)	–	(3,064)	(2,226)
Broaden our appeal and provide an exceptional visitor experience	(9,355)	(39)	(9,394)	–	(1,223)	–	–	–	(9,355)	(1,262)	–	(10,617)	(11,410)
Preserve, enhance and develop the potential of our collections	(8,327)	(92)	(8,419)	–	(1,096)	–	–	–	(8,327)	(1,188)	–	(9,515)	(4,514)
Inspire learning and engagement	(2,767)	(429)	(3,196)	–	(416)	–	–	–	(2,767)	(845)	–	(3,612)	(4,255)
Invest in our staff, increase income and care for our physical activities	(5,561)	–	(5,561)	–	(725)	–	–	–	(5,561)	(725)	–	(6,286)	(5,693)
	(28,453)	(828)	(29,281)	–	(3,813)	–	–	–	(28,453)	(4,641)	–	(33,094)	(28,098)
	(303)	–	(303)	–	–	–	–	–	(303)	–	–	(303)	(191)
<b>Governance costs</b>													
<b>Total resources expended before exceptional items</b>	<b>(29,914)</b>	<b>(836)</b>	<b>(30,750)</b>	–	<b>(3,813)</b>	<b>(50)</b>	<b>(23)</b>	<b>(73)</b>	<b>(29,964)</b>	<b>(4,672)</b>	–	<b>(34,636)</b>	<b>(29,560)</b>
Restructuring costs	(162)	–	(162)	–	–	–	–	–	(162)	–	–	(162)	(546)
<b>Total resources expended after exceptional items</b>	<b>(30,076)</b>	<b>(836)</b>	<b>(30,912)</b>	–	<b>(3,813)</b>	<b>(50)</b>	<b>(23)</b>	<b>(73)</b>	<b>(30,126)</b>	<b>(4,672)</b>	–	<b>(34,798)</b>	<b>(30,106)</b>

Statement of Financial Activities  
for the year ended 31 March 2012 (continued)

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)		Acquisitions for the collection (b)			TOTAL 2012		TOTAL 2011	
	Unrestricted funds	Restricted funds	Unrestricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds	Restricted funds	Permanent endowment	Total
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net incoming/(outgoing) resources before transfers and other recognised gains and losses</b>	<b>174</b>	<b>(56)</b>	<b>587</b>	<b>1,219</b>	<b>398</b>	<b>97,612</b>	<b>98,010</b>	<b>1,159</b>	<b>98,188</b>	<b>-</b>	<b>6,992</b>
Transfers	(1,805)	42	(587)	(2)	(15,942)	17,707	1,765	(18,334)	18,334	-	-
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>	<b>(1,631)</b>	<b>(14)</b>	<b>-</b>	<b>1,217</b>	<b>(15,544)</b>	<b>115,319</b>	<b>99,775</b>	<b>(17,175)</b>	<b>116,522</b>	<b>-</b>	<b>6,992</b>
Gain/(loss) on revaluation of fixed assets for charity's own use	-	-	-	(3,987)	-	-	-	-	(3,987)	-	7,850
Realised and unrealised investment gains	-	(128)	-	-	(1,176)	(388)	(1,564)	(1,176)	(516)	(580)	(2,272)
Net movement in funds	(1,631)	(142)	-	(2,770)	(16,720)	114,931	98,211	(18,351)	112,019	(580)	93,088
Opening funds	3,158	3,865	-	209,277	18,369	129,545	147,914	21,527	342,687	5,380	369,594
Closing funds	1,527	3,723	-	206,507	1,649	244,476	246,125	3,176	454,706	4,800	462,682

(a) representing the value of capital assets, excluding the collection.

(b) representing the value, at the date of acquisition, of donations to the collection and picture acquisitions since 1 April 2001, and restricted and designated funds for future acquisitions. All operations continued throughout the period.

There are no recognised gains and losses other than those shown above.

For an explanation of transfers please see note 19.

This Statement of Financial Activities is shown in this expanded format to enable a reader of the accounts to distinguish between the Gallery's operating activities and those activities relating to capital projects and acquisitions, which due to their high value could otherwise have a distorting effect on the overall presentation of incoming and outgoing resources.

The notes on pages 32 to 51 form part of these accounts.



## Balance Sheet as at 31 March 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	12	206,507		209,277	
Heritage Assets	13	243,339		132,749	
Investments	14a	<u>7,189</u>		<u>25,775</u>	
			<b>457,035</b>		367,801
<b>Current Assets</b>					
Stock		4		3	
Debtors	15	2,842		5,688	
Investments	14b	16,774		2,374	
Cash at bank and in hand	21	<u>36,944</u>		<u>18,134</u>	
		<b>56,564</b>		<b>26,199</b>	
<b>Creditors</b>					
Amounts falling due within one year	16a	(50,336)		(23,330)	
<b>Provisions</b>					
Amounts falling due within one year	16b	<u>(120)</u>		<u>(546)</u>	
<b>Net current assets</b>			<b>6,108</b>		2,323
<b>Total assets less current liabilities</b>			<b>463,143</b>		370,124
<b>Creditors:</b>					
Amounts falling due in more than one year	16a		<u>(461)</u>		<u>(530)</u>
<b>Net assets</b>			<b>462,682</b>		<b>369,594</b>
<b>Represented by:</b>					
Restricted funds					
Restricted funds (excluding revaluation reserves)		430,862		314,856	
Revaluation reserves		<u>23,844</u>		<u>27,831</u>	
	19		<b>454,706</b>		342,687
Unrestricted funds					
Designated		1,649		18,369	
General funds		<u>1,527</u>		<u>3,158</u>	
	19		<b>3,176</b>		21,527
<b>Total Income Funds</b>			<b>457,882</b>		364,214
<b>Capital funds – permanent endowments</b>	19		<b>4,800</b>		5,380
<b>Total Funds</b>			<b>462,682</b>		<b>369,594</b>

The notes on pages 32 to 51 form part of these accounts.

**Signed:**  
**Nicolas Penny**  
**Director and Accounting Officer**

**Dated: 28th June 2012**

**Signed:**  
**Gautam Dalal**  
**On behalf of the Board of Trustees**

**Dated: 28th June 2012**

## Cash Flow Statement for the year ended 31 March 2012

		2012		2010 (restated)	
	Note	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	<b>21a</b>		<b>33,524</b>		18,736
<b>Returns on investment and servicing of finance</b>					
Bank interest received		63		39	
Investment income		<u>602</u>		<u>711</u>	
			<b>665</b>		750
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(5,199)		(4,107)	
Payments to acquire heritage assets		(12,093)		(16,333)	
Purchase of investments		(18,105)		(755)	
Proceeds from sales of investments		<u>17,685</u>		<u>170</u>	
			<b>(17,712)</b>		(21,025)
			<b>16,477</b>		(1,539)
<b>Management of liquid resources</b>	<b>21b</b>		<b>2,333</b>		(11)
<b>Increase/(decrease) in cash for the year</b>	<b>21c</b>		<b><u>18,810</u></b>		<b><u>(1,550)</u></b>

The Cash Flow Statement for 2011 has been restated to bring additional clarity to the heritage asset disclosure; a new line has been added to separately disclose £16,333k of cash outflows for Diana and Actaeon as payments to acquire heritage assets.

*The notes on pages 32 to 51 form part of these accounts.*

## Notes to the Financial Statements

### 1. Accounting policies

#### a. Accounting convention

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

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

#### b. Incoming resources

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

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

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

Income derived from endowments has been included within unrestricted funds in the SOFA, except where the application of the income is restricted to a particular purpose, in which case the income and expenditure has been appropriately identified in restricted funds. See note 19 for further details.

#### c. Resources expended

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

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Exhibitions costs represent the costs of mounting exhibitions. Other direct costs are allocated against the relevant strategic objectives of the Gallery, which are described in detail in the Annual Report.

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

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

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

#### d. Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The funds include bequests made to the Gallery where it was clearly the wish of the donor that the money is to be used for picture purchase but where no legal restriction exists as to the use made of the bequest. The details of each designated fund are disclosed in note 19.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. The aim and use of restricted funds is explained in note 19.

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

*e. Tangible fixed assets*

Tangible fixed assets, other than collection acquisitions, are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. The Gallery applies a £5,000 threshold to the capitalisation of all fixed assets (2011: £2,000).

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

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

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

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

Land and buildings and plant and machinery are revalued annually on a depreciated replacement cost basis. Movements are taken to the revaluation reserve.

*f. Heritage assets*

The National Gallery's collection comprises pictures and frames, and these are treated as heritage assets.

In accordance with the Government Financial Reporting Manual (FRM) – which reflects the requirements of Financial Reporting Standard (FRS) 30 – works of art acquired or donated are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

Additions to the collection are made by purchase, gift of the asset and/or the purchase of assets funded by donation. Works of art donated by third parties either by gift of the asset, or by way of funds for the asset, are capitalised and accounted for through the donated works of art reserve.

Capitalised heritage assets are not subject to depreciation or revaluation as a matter of routine.

The Trustees of the National Gallery believe that the collection is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. In this regard, it is an asset that cannot be valued in a way that would be meaningful for readers of the financial statements.

The Trustees consider that even if valuations could be obtained for some of the pictures in the collection, the cost of performing such an exercise would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet. As a result, no value has been included in the Balance Sheet for heritage assets acquired before April 2001, the point at which additions to the collection were first capitalised.

The treatment required by FRS 30 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. The distorting effect of this inconsistent treatment is exacerbated by the volatility of the international art market and fluctuations in inflation, which will render the value of those capitalised heritage assets less reliable over time. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole.

Further information on the nature and scale of the Gallery's collection can be found in note 13.

Expenditure which is required to preserve or prevent further deterioration of individual collection items, as well as the costs of managing the collection, are recognised in the Statement of Financial Activities when incurred. More information about preservation and management of the collection can be found in note 13.

*g. Investments*

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

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

*h. Stocks*

Tangible stocks are held by the Gallery for use in the staff canteen. Stocks for the gift shops situated within the Gallery premises are owned by the National Gallery Company Limited which is a separate legal entity and therefore not consolidated in these accounts. The café and restaurant facilities are also franchised out. Stocks are stated at the lower of cost or net realisable value.

*i. Leases*

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

*j. Foreign currencies*

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

*k. Pensions*

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. Full details of the pension scheme are included in note 11.

*l. Trust funds*

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

*m. Taxation*

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

## 2. Grant-in-Aid

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Department for Culture, Media and Sport	<b><u>26,744</u></b>	<u>28,201</u>

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.8 million (2011: £4.5 million) was ring-fenced for capital purposes.

## 3. Other government grants

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Strategic Commissioning Grant from the Department for Culture, Media and Sport	–	157
Arts Council	<b>2</b>	–
Museums, Libraries and Archives Council	<b>5</b>	5
	<b><u>7</u></b>	<u>162</u>

**4. Donations**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Donations relating to Gallery operation can be split as follows:		
Individuals	<b>230</b>	130
Trusts and foundations	<b>1,348</b>	499
Corporate donors	–	41
Gifts in kind	<b>14</b>	17
	<b><u>1,592</u></b>	<u>687</u>

Restricted donations included above total £1,401k (2011: £635k).

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Donations relating to capitalised collection acquisitions can be split as follows:		
Individuals	<b>302</b>	52
Trusts and foundations	<b>21,124</b>	–
Gifts in kind	<b>71,257</b>	35
Other	<b>4,357</b>	2,140
	<b><u>97,040</u></b>	<u>2,227</u>
Total donations	<b><u>98,632</u></b>	<u>2,914</u>

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

	<b>2012</b>	2011
	<b>£'000</b>	£'000
<i>Activities for generating funds</i>		
Trading	<b>2,725</b>	2,238
Concessions	<b>899</b>	762
Miscellaneous	<b>328</b>	402
	<b><u>3,952</u></b>	<u>3,402</u>
<i>Other incoming resources</i>		
Gain on disposal of equipment	–	10

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

**6. Investment Income**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Bank interest receivable	<b>63</b>	39
Interest receivable on UK investment portfolio deposits	<b>131</b>	62
Other UK fixed interest stocks	<b>93</b>	186
UK equities	<b>331</b>	451
Foreign equities	<b>47</b>	74
	<b><u>665</u></b>	<u>812</u>

**7. Trustees' remuneration**

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2011: £nil). The total value of expenses reimbursed to Trustees amounted to £377 for the year (2011: £246), representing travel and catering expenses for 1 Trustee (2011: 2 Trustees).

**8. Total resources expended**

	Direct costs £'000	Support costs £'000	Depreciation £'000	<b>Total 2012 £'000</b>	Total 2011 (restated) £'000
Fundraising costs	1,032	126	–	<b>1,158</b>	1,163
Investment management costs	81	–	–	<b>81</b>	108
	<u>1,113</u>	<u>126</u>	<u>–</u>	<b><u>1,239</u></b>	<u>1,271</u>
Exhibitions	2,610	101	353	<b>3,064</b>	2,226
Broaden our appeal and provide an exceptional visitor experience	8,617	777	1,223	<b>10,617</b>	11,410
Preserve, enhance and develop the potential of our collections	7,887	532	1,096	<b>9,515</b>	4,514
Inspire learning and engagement	2,862	334	416	<b>3,612</b>	4,255
Invest in our staff, increase income and care for our physical activities	5,368	193	725	<b>6,286</b>	5,693
	<u>27,344</u>	<u>1,937</u>	<u>3,813</u>	<b><u>33,094</u></b>	<u>28,098</u>
Governance costs	290	13	–	<b>303</b>	191
	<u>28,747</u>	<u>2,076</u>	<u>3,813</u>	<b><u>34,636</u></b>	<u>29,560</u>

2011 numbers have been restated to reflect the new strategic headings.

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

Cost type	Fundraising costs							Total £'000	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Finance	8	77	21	185	30	157	6	<b>484</b>	Direct expenditure of activity
Human Resources	29	6	418	84	74	8	2	<b>621</b>	Headcount
Information Services	73	15	277	215	188	23	4	<b>795</b>	Headcount of office-based staff
Office Services	16	3	61	48	42	5	1	<b>176</b>	Headcount of office-based staff
	<u>126</u>	<u>101</u>	<u>777</u>	<u>532</u>	<u>334</u>	<u>193</u>	<u>13</u>	<b><u>2,076</u></b>	

Analysis of governance costs:

	<b>2012 £'000</b>	2011 (restated) £'000
Staff costs	<b>120</b>	120
Auditor's remuneration	<b>38</b>	37
Internal audit fees	<b>27</b>	15
Cost of meetings	<b>2</b>	2
Operational consultants	<b>69</b>	–
Support costs	<b>13</b>	13
Legal fees	<b>34</b>	–
Other	<b>–</b>	4
	<b><u>303</u></b>	<u>191</u>

Total resources expended include the following:

	<b>2012</b>	2011
	<b>£</b>	£
Auditor's remuneration:		
Statutory audit	<b>37,500</b>	39,000
Adjustment to prior year statutory audit	–	(2,000)
	<b>37,500</b>	37,000
Leased rental payments on equipment and office space	<b>358,090</b>	36,757
Provision for voluntary exit costs	<b>120,133</b>	545,846
Bad debt write-off	–	93,199
Loss on disposal of tangible fixed asset	<b>2,148</b>	–

The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

Total resources expended also include a grant to the National Gallery Trust of £4.7m for the furtherance of the National Gallery's charitable objectives.

## 9. Staff costs

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Wages and salaries	<b>12,333</b>	12,605
Social security costs	<b>865</b>	882
Pension costs	<b>1,974</b>	2,028
Agency staff	<b>127</b>	78
	<b>15,299</b>	15,593

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

	<b>2012</b>	2011
£60,000 – £69,999	<b>2</b>	3
£70,000 – £79,999	<b>5</b>	5
£80,000 – £89,999	<b>1</b>	–
£140,000 – £149,999	<b>1</b>	1
	<b>9</b>	9

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



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

	<b>2012 Permanent contracts No.</b>	<b>2012 Other contracts No.</b>	<b>2012 Total No.</b>	2011 (restated) Total No.
Fundraising	15	5	<b>20</b>	17
Exhibitions	3	1	<b>4</b>	4
Broaden our appeal and provide an exceptional visitor experience	232	48	<b>280</b>	299
Preserve, enhance and develop the potential of our collections	49	7	<b>56</b>	56
Inspire learning and engagement	31	18	<b>49</b>	50
Invest in our staff, increase income and care for our physical facilities	6	–	<b>6</b>	6
Support	20	7	<b>27</b>	26
Governance	1	–	<b>1</b>	1
	<u>357</u>	<u>86</u>	<u><b>443</b></u>	<u>459</u>

2011 numbers have been restated to reflect the new strategic headings.

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

## 10. Compensation payments

In March 2011 the Gallery launched a Voluntary Exit Scheme. Staff from selected departments were invited to apply and those whose requests were approved were informed early May 2011. The exit packages reported are for exit packages agreed in 2011-12.

<b>Exit package cost band</b>	<b>Departures agreed under Voluntary Exit No.</b>	<b>Total cost of exit packages by cost band £</b>
< £10,000	5	32,378
£10,000 – £25,000	5	98,766
£25,000 – £50,000	6	192,721
£50,000 – £100,000	4	248,175
Total number of exit packages	<u>20</u>	<u>572,040</u>

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. Where the organisation has agreed early retirements, the additional costs are met by the organisation 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.

## 11. Pension costs

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

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

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

For 2012, employer's contributions of £1,941,321 were payable to the PCSPS (2011: £2,001,107) at one of four rates in the range 16.7% to 24.3% of pensionable pay (2011: 16.7% to 24.3%) based on salary bands. There were also adjustments to employer's contributions for staff that had left the Gallery's employment in 2011 totalling £12,158 (2011: nil). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

From 2012/13, the rates will again be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 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. Employer's contributions of £18,957 (2011: £25,014) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,255 (2011: £1,999), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £1,449 (2011: £2,106).

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

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

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

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

## 12. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Equipment £'000	<b>Total £'000</b>
<b>Cost or Valuation</b>					
As at 1 April 2011	150,839	67,157	26	3,893	<b>221,915</b>
Additions	2,102	2,730	–	200	<b>5,032</b>
Transfers	–	–	(26)	26	<b>–</b>
Disposals	–	–	–	(426)	<b>(426)</b>
Revaluation	(2,487)	(1,500)	–	–	<b>(3,987)</b>
Transfers	–	–	–	–	<b>–</b>
As at 31 March 2012	<u>150,454</u>	<u>68,387</u>	<u>–</u>	<u>3,693</u>	<b><u>222,534</u></b>
<b>Depreciation</b>					
As at 1 April 2011	3,139	6,157	–	3,342	<b>12,638</b>
Disposals	–	–	–	(424)	<b>(424)</b>
Charge for year	1,115	2,330	–	368	<b>3,813</b>
As at 31 March 2012	<u>4,254</u>	<u>8,487</u>	<u>–</u>	<u>3,286</u>	<b><u>16,027</u></b>
<b>Net Book Value</b>					
<b>31 March 2012</b>	<u><b>146,200</b></u>	<u><b>59,900</b></u>	<u><b>–</b></u>	<u><b>407</b></u>	<b><u>206,507</u></b>
31 March 2011	<u>147,700</u>	<u>61,000</u>	<u>26</u>	<u>551</u>	<b><u>209,277</u></b>

The freehold of the National Gallery, including both the Wilkins Building and the Sainsbury Wing, was transferred from the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994. In accordance with Treasury requirements, land and buildings and plant and machinery were valued on a depreciated replacement cost basis at 31 March 2012. This basis is used rather than market value or value-in-use because the building and plant are considered to be specialist in nature. The desktop valuation was performed by BNP Paribas Real Estate, an independent firm of Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual (the Red Book).

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

The Trustees consider the building to be effectively inalienable; it would not be possible to realise its value. The net book value at 31 March 2012 represents fixed assets held for charitable purposes only.

### 13. Heritage assets

The National Gallery houses one of the greatest collections of Western European painting in the world. These pictures belong to the public and entrance to see them is free. The Gallery aims to tell the story of European painting as completely as possible and at the highest possible level. The collection contains over 2,300 works, including many iconic masterpieces such as van Eyck's *Arnolfini Portrait*, Piero della Francesca's *Baptism*, Holbein's *Ambassadors*, Leonardo's *Virgin of the Rocks*, Vermeer's *Young Woman Standing at a Virginal*, Velázquez's *Rokeby Venus*, Turner's *Fighting Temeraire* and Van Gogh's *Sunflowers*. The work of some of the greatest painters, including Raphael, Titian, Rembrandt, Monet and Cezanne, is represented in great depth, with a range of works of varying types and from different periods of the artists' careers.

A full description of the collection, including zoomable images of every picture, can be found on the National Gallery's website.

Heritage assets capitalised in the Balance Sheet are shown below:

	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>Total £'000</b>
As at 1 April 2011	3,305	129,444	<b>132,749</b>
Additions	118	110,472	<b>110,590</b>
As at 31 March 2012	<u>3,423</u>	<u>239,916</u>	<b><u>243,339</u></b>

All heritage assets acquired since 1 April 2001 have been included in the Balance Sheet at their cost or value at the date of acquisition.

Where heritage assets have been acquired under the Acceptance in Lieu Scheme, valuations are provided by the Arts Council England. Where pictures have been donated, bequeathed or acquired other than on the open market, valuations have been performed by the Gallery's curators, who are recognised experts in their fields, or by external valuers. The primary method of valuation involves the analysis of recent market values for comparable works, together with a detailed technical assessment of the painting's physical condition to arrive at a reasonable valuation. However, there is an inherent limitation to valuation of works acquired by the National Gallery, simply because by their nature they are usually unique and iconic works of art for which little or no comparable market data exists.

Additions in 2012 comprise:

- Titian's *Diana and Callisto*, included in the accounts at a valuation of £110 million. An external valuation of the painting was performed by an established firm of art dealers with considerable expertise in the valuation of Old Master paintings. Consideration paid by the Gallery for its share of ownership of the painting was £41.5m.
- Sir Thomas Lawrence's *Portrait of the Hon. Emily Mary Lamb*, which was accepted by H. M. Government in lieu of Inheritance Tax and allocated to the National Gallery. The painting has been included in the accounts at a valuation made by Arts Council England of £472,500.
- 17 frames for various pictures at an aggregate cost of £118,000.

Five year financial summary of acquisitions

	<b>2012 £'000</b>	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Donated assets and acquisitions funded by donations	<b>106,198</b>	(235)	1,413	45,743	7,661
Other acquisitions	<b>4,392</b>	357	349	11,863	270
Total cost/value of acquisitions	<b><u>110,590</u></b>	<u>122</u>	<u>1,762</u>	<u>57,606</u>	<u>7,931</u>

Significant additions over the last five years include:

- Titan's *Diana and Callisto*, acquired jointly with the National Galleries of Scotland in 2012, is the companion painting of *Diana and Actaeon* which was acquired in 2009, also as a joint acquisition with the National Galleries of Scotland. The two works join the already rich collection of Titian masterpieces at the National Gallery, establishing it as a world centre for the study of Venetian Renaissance painting.
- *A Still Life of Flowers in a Wan-Li Vase* by Ambrosius Bosschaert the Elder, one of the first and finest Dutch flower painters, received through the Acceptance in Lieu scheme in 2010.

- A generous bequest from Simon Sainsbury in 2007, comprising three paintings, two by Monet (*Rue Sous La Neige, Argenteuil* and *Nympheas, Soleil Couchant*) and one by Gauguin (*Coupe de Fruits et Pichet Devant la Fenetre*). These paintings together have made a huge difference to the Impressionist and Post Impressionist galleries.
- Panini's *The Lottery in the Piazza di Montecitorio*, acquired in 2006, a rare example of the artist portraying contemporary events in a painting of a large crowd of people assembled to witness the lottery draw taking place on the balcony of the Palazzo di Montecitorio in Rome.

### Heritage assets not capitalised on the Balance Sheet

The proportion of the collection not capitalised on the Balance Sheet is set out below:

	Total number of items	Number capitalised	% capitalised	Number not capitalised	% not capitalised
Pictures	2,317	28	1%	2,289	99%

The vast majority of the Gallery's collection is not capitalised. The nature and scale of the collection can be viewed in detail on the Gallery's website.

### Heritage asset management

#### Acquisitions

The acquisition of pictures and frames is one of the Gallery's statutory objectives. Acquisitions are essential to enhance the collection now and for future generations. In particular, acquisitions enable the Gallery to develop its presentation of the history of Western European painting.

The Gallery's principal aims in making acquisitions are as follows:

- to obtain masterpieces of outstanding quality;
- to develop the Gallery's uniquely coherent narrative of Western European painting beyond the canon established during the 19th century; and
- to build on the Gallery's strengths.

All acquisitions, whether by purchase or donation, require the approval of the Board of Trustees. Prior to approval, potential acquisitions are subject to detailed checks concerning the ownership, provenance, condition and value of the picture, taking into account guidelines published by the Department of Culture, Media and Sport (*Combating Illicit Trade: due diligence guidelines for museums, libraries and archives on collecting and borrowing cultural material*).

#### Preservation

The most effective strategy for preservation is the application of principles of preventive conservation, largely achieved through environmental and light control. These principles are the subject of research and refinement and are specified by the Scientific and Conservation departments working with the Gallery's engineers. In addition to conservation treatments, the Conservation department's work includes assessment of the collection, preventive maintenance and minor treatment such as blister laying, surface cleaning and re-varnishing. Except in an emergency, all proposals for major conservation work including cleaning are referred to the Board, both for permission to begin and on completion, for approval of the work done and for the painting's return to exhibition. All minor work is discussed with and agreed by the relevant curator.

Detailed information on the Gallery's preservation policies can be found in the Conservation Risk Management Statement and Preventive Conservation Risk Management Statement on the Gallery's website.

#### Management

The Gallery's collection comprises 2,317 paintings and approximately 2,399 frames. As at 31 March 2012 1,674 (72%) paintings were on public display at the Gallery, 89 (4%) on loan elsewhere and the remainder were in the conservation and photographic studios or in storage.

The National Gallery is committed to the widest possible access to the collection which it houses, conserves and displays. Details of the policy adopted by the Gallery to provide access can be found in the Access Statement on the Gallery's website.

The Museum System (TMS), a sophisticated collections management system, is used by a number of departments to catalogue the collection and to manage acquisitions, location recording, exhibitions and loans. Location recording

in TMS is a core part of the processes involved in moving paintings within and into and out of the National Gallery. This is supported by daily inventory checks of the public display galleries and regular checks of other areas where pictures may be stored.

### Disposals

The Trustees of the Gallery have a statutory responsibility to hold and maintain the collection of pictures in trust for future generations in accordance with the Gallery's charitable objectives. The Trustees are not empowered to dispose of any pictures: the collection is inalienable. Any disposal of an item in the collection could only be made by transfer to another national collection in accordance with the provisions of the Museums and Galleries Act 1992.

## 14. Investments

### a. Fixed asset investments

	2012 £'000	2011 £'000
Market value as at 1 April	25,775	24,285
Increase in investment portfolio deposits	12,120	335
<i>Listed investments</i>		
Disposal proceeds	(17,685)	(170)
Additions at cost	5,984	420
Realised and unrealised (losses)/gains	(2,272)	905
Transfer to current asset investments	(16,733)	–
Market value as at 31 March	<u>7,189</u>	<u>25,775</u>

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

	2012 £'000	2011 £'000
<i>Listed investments</i>		
UK fixed interest stocks	–	2,970
UK equities	–	12,306
Overseas equities	6,038	4,736
	<u>6,038</u>	<u>20,012</u>
<i>Cash held as part of the investment portfolio</i>		
UK investment portfolio deposits	1,151	5,763
	<u>7,189</u>	<u>25,775</u>

### b. Current asset investments

	2012 £'000	2011 £'000
Current asset investments	<u>16,774</u>	<u>2,374</u>
Movement in the year		
Market value at beginning of year	2,374	2,363
Transfer from fixed assets investments	16,733	–
Reduction of balances on money market	(2,333)	11
Market value at end of year	<u>16,774</u>	<u>2,374</u>

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

**15. Debtors**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Amounts falling due within one year		
Trade debtors	<b>236</b>	209
Other debtors	<b>85</b>	3,478
Tax and social security	<b>603</b>	711
Prepayments and accrued income	<b>1,918</b>	1,290
	<b>2,842</b>	5,688

Included in debtors are:

	<b>Amounts falling due within one year</b>	
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Balances with Central Government bodies	<b>729</b>	4,135
Balances with local authorities	<b>-</b>	4
Subtotal: intra-Government balances	<b>729</b>	4,139
Balances with bodies external to Government	<b>2,113</b>	1,549
Total debtors at 31 March	<b>2,842</b>	5,688

**16. Creditors****a. Creditors: amounts falling due within one year**

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Trade creditors	<b>2,365</b>	1,746
Other creditors	<b>47,173</b>	16,840
Accruals and deferred income	<b>798</b>	4,744
	<b>50,336</b>	23,330

Other creditors include £44 million due to be paid in April 2012 for the acquisition of Titian's *Diana and Callisto*. In 2011, other creditors included £16m payable in April 2011 for the acquisition of Titian's *Diana and Actaeon*.

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Amounts falling due in more than one year		
Accruals and deferred income	<b>461</b>	530
	<b>461</b>	530
In more than one year but not more than two years	<b>127</b>	133
In more than two years but not more than five years	<b>334</b>	397
	<b>461</b>	530

The movement on the deferred income account in the year was as follows:

	<b>2012</b>	2011
	<b>£'000</b>	£'000
As at 1 April	<b>5,064</b>	6,208
Amounts released from previous years	<b>(4,507)</b>	(1,477)
Incoming resources deferred in the current year	<b>431</b>	333
As at 31 March	<b>988</b>	5,064

Deferred income released during the year related to acquisitions where the transactions were completed during the year. Income deferred in the year includes grants restricted to future activities, as well as corporate membership and exhibition sponsorship income.

#### b. Provisions: amounts falling due within one year

The movement on the provisions account in the year was as follows:

	<b>2012</b>	2011
	<b>£'000</b>	£'000
As at 1 April	<b>546</b>	–
Charged in the year	<b>120</b>	546
Released in the year	<b>(546)</b>	–
As at 31 March	<b>120</b>	546

A provision of £120k (2011: £546k) has been made for voluntary redundancy costs to be paid within one year. The provision is based on a number of identified posts where post-holders are expected to leave under the voluntary redundancy scheme during 2012-13. The provision has been calculated in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Included in creditors are:

	<b>Amounts falling due within one year</b>		<b>Amounts falling due in more than one year</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Balances with Central Government bodies	<b>304</b>	339	–	–
Balances with local authorities	–	–	–	–
Subtotal: intra-Government balances	<b>304</b>	339	–	–
Balances with bodies external to government	<b>50,032</b>	22,991	<b>461</b>	530
Total creditors at 31 March	<b>50,336</b>	23,330	<b>461</b>	530

## 17. Financial risk management

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

#### *Credit risk*

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

The Gallery is exposed to credit risk of £0.2 million (2011: £0.2 million) of trade debtors. This risk is not considered significant as major customers are familiar to the Gallery. The Gallery's debtor profile is reviewed regularly to ensure that prompt action is taken, and a provision is made at the end of the year against any debts considered doubtful. Write offs in the year for bad debts amounted to £nil (2011: £93,199).

#### *Liquidity risk*

Grant-in-Aid from the Department for Culture, Media and Sport represents 20% (2011: 76%) of the Gallery's incoming resources before transfers and revaluations. Whilst the percentage is lower than in 2011, this is because of the value of income for the acquisition of *Diana and Callisto*.

Exposure to liquidity risk amounts to £6 million (2011: £17 million) of equity investments. The Gallery's investments are monitored by a sub-committee of the Board which meets regularly to consider liquidity requirements over the medium term and review fund performance in discussion with the fund managers.

*Market risk***a. Interest rate risk**

The reserves and investment policies of the Gallery are outlined in the Financial Review section of this document. Interest income is 0.5% of the Gallery's incoming resources before transfers and revaluations, so the interest rate is not considered to be a significant risk for the Gallery.

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

The interest rate profile of the Gallery's financial assets is set out below:

	<b>Total £'000</b>	<b>Non- interest bearing assets held £'000</b>	<b>Floating- rate cash held £'000</b>	<b>Fixed rate short term cash deposits held £'000</b>	<b>Fixed rate weighted average interest rate %</b>	<b>Weighted average period for which rate is fixed Days</b>
<b>At 31 March 2012</b>	<b>60,907</b>	<b>17,829</b>	<b>40,697</b>	<b>2,381</b>	<b>0.61%</b>	<b>145</b>
At 31 March 2011	46,283	20,025	23,815	2,443	0.53%	108

The interest receivable on the floating rate deposits is at a variable rate as determined by the Gallery's bank, Coutts & Co and the rates on cash held in the cash liquidity fund administered by the Gallery's investment managers.

**b. Price risk**

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

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

**c. Foreign currency risk**

At the end of the year £6 million of investments were held in a US dollar denominated equity fund. There was therefore some exposure to foreign exchange fluctuations however, given the value compared to the overall net assets, this is not considered to be significant enough to require a sensitivity analysis.

*Financial assets and liabilities*

The Gallery's financial assets and liabilities by category, as defined in FR-S25, are set out below:

	<b>Loans and receivables £'000</b>	<b>Available- for-sale £'000</b>	<b>Other financial liabilities £'000</b>
As at 31 March 2012			
Cash	36,944	–	–
Current asset investments	16,774	–	–
Trade and other debtors	1,702	–	–
Investments	–	7,189	–
Trade and other creditors	–	–	(49,364)
	<b>55,420</b>	<b>7,189</b>	<b>(49,364)</b>
As at 31 March 2011			
Cash	18,134	–	–
Current asset investments	2,374	–	–
Trade and other debtors	4,598	–	–
Investments	–	25,775	–
Trade and other creditors	–	–	(18,295)
	<b>25,106</b>	<b>25,775</b>	<b>(18,295)</b>



**18. Financial Commitments***Capital Commitments*

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Capital expenditure commitments were as follows:		
Contracted for, but not provided in the accounts	–	814

*Commitments under operating leases*

As at 31 March 2012 the National Gallery had annual commitments under operating leases for photocopiers and rent payable as set out below:

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Operating leases which expire:		
Within 1 year	5	–
Between 2 and 5 years	459	39

**19. Statement of funds**

	At 1 April 2011 £'000	Income £'000	Expendi- ture £'000	Net movement on invest- ments and re- valuation £'000	Transfers between reserves £'000	At 31 March 2012 £'000
<b>Unrestricted funds</b>						
Designated funds:						
Designated funds for the purchase of heritage assets	1,086	–	–	–	(1,086)	–
Designated funds for the purchase of Guercino's <i>Cumaen Sybil with Putto</i>	1,474	–	–	–	(1,474)	–
Trust funds designated for the purchase of heritage assets	15,809	448	(50)	(1,176)	(13,382)	1,649
<b>Total designated funds</b>	<b>18,369</b>	<b>448</b>	<b>(50)</b>	<b>(1,176)</b>	<b>(15,942)</b>	<b>1,649</b>
General funds	3,158	30,837	(30,076)	–	(2,392)	1,527
<b>Total unrestricted funds</b>	<b>21,527</b>	<b>31,285</b>	<b>(30,126)</b>	<b>(1,176)</b>	<b>(18,334)</b>	<b>3,176</b>
<b>Restricted income funds</b>						
Capital assets reserve	181,446	4,445	(3,813)	–	585	182,663
Building revaluation reserve	3,166	–	–	(2,487)	–	679
Plant and machinery revaluation reserve	24,665	–	–	(1,500)	–	23,165
Donated works of art reserve	104,436	97,040	–	–	19,377	220,853
Heritage assets acquired	18,094	–	–	–	4,392	22,486
Exhibitions programme fund	121	270	(268)	–	–	123
Running cost fund	375	454	(534)	–	–	295
Curatorial fund	1,502	36	(26)	–	–	1,512
Collection purchases fund	1,865	20	–	–	(1,885)	–
Collection purchases trust fund	5,150	533	(23)	(388)	(4,135)	1,137
Art historical research	1,867	62	(8)	(128)	–	1,793
<b>Total restricted income funds</b>	<b>342,687</b>	<b>102,860</b>	<b>(4,672)</b>	<b>(4,503)</b>	<b>18,334</b>	<b>454,706</b>
<b>Capital funds</b>						
Collection purchase endowments	2,947	–	–	(317)	–	2,630
Art historical research endowment	1,001	–	–	(108)	–	893
General purpose endowments	1,432	–	–	(155)	–	1,277
<b>Total capital funds</b>	<b>5,380</b>	<b>–</b>	<b>–</b>	<b>(580)</b>	<b>–</b>	<b>4,800</b>
<b>Total funds</b>	<b>369,594</b>	<b>134,145</b>	<b>(34,798)</b>	<b>(6,259)</b>	<b>–</b>	<b>462,682</b>

*Transfers between reserves in the year*

Transfers between unrestricted and restricted funds reflect the use of accumulated designated and general reserves to fund the acquisition of Titian's Diana and Callisto. In total £25 million of accumulated reserves, both unrestricted and restricted, were attributed to this acquisition in 2012. Other transfers related principally to the crystallisation during the year of the gift of Guercino's Cumaen Sybil with Putto.

*Fair Value Reserve (Investments)*

	As at 1 April 2011 £'000	Unrealised gains under fair value £'000	Realised gains/ (losses) under fair value £'000	As at 31 March 2012 £'000	Reserve/ Fund net of fair value as at 31 March 2012 £'000	Reserve/ Fund (inc fair value) as at 31 March 2012 £'000
<b>Unrestricted</b>						
Trust funds designated collection purchases	1,845	(1,176)	–	669	980	<b>1,649</b>
<b>Restricted</b>						
Collection purchases trust fund	539	(576)	188	151	986	<b>1,137</b>
Art historical research	209	(201)	73	81	1,712	<b>1,793</b>
	<u>748</u>	<u>(777)</u>	<u>261</u>	<u>232</u>	<u>2,698</u>	<u><b>2,930</b></u>
<b>Capital funds</b>						
Collection purchase endowments	337	(317)	–	20	2,610	<b>2,630</b>
Art historical research endowment	115	(108)	–	7	886	<b>893</b>
General purpose endowments	164	(155)	–	9	1,268	<b>1,277</b>
	<u>616</u>	<u>(580)</u>	<u>–</u>	<u>36</u>	<u>4,764</u>	<u><b>4,800</b></u>
	<u>3,209</u>	<u>(2,533)</u>	<u>261</u>	<u>937</u>	<u>8,442</u>	<u><b>9,379</b></u>

*Analysis of funds*

The Statement of Funds at 31 March 2012 comprises a number of individual funds which divide into distinct categories as defined below:

*Unrestricted Funds*

- Trust funds designated for the purchase of heritage assets comprise funds, mainly bequests, designated for the acquisition of works of art for the collection and held within the Trust Funds.
- General funds are funds applied for general use.

*Restricted funds*

- Capital assets reserve comprises funds in respect of the Gallery's land, buildings and plant and machinery.
- Revaluation reserves reflect the effect of revaluations of tangible fixed assets over time.
- The donated works of art reserve represents the value of works of art donated to the collection either by gift or by way of funds for acquisition subsequent to 1 April 2001 and capitalised.
- Heritage assets acquired represents the value of works of art acquired from unrestricted or designated funds. These are treated as restricted on acquisition because the collection is inalienable.
- Exhibitions programme reserve comprises funds raised specifically towards the financing of the Gallery's exhibition programme.
- Running cost funds are funds raised specifically for the financing of other Gallery projects, including educational projects.
- Curatorial funds are funds raised specifically for the financing of curatorial activities, including the funding of certain curatorial posts.
- The collection purchases trust fund comprises donations, mostly bequests, received specifically towards the acquisition of works of art for the collection and held within the Trust Funds.
- Art historical research represents funds raised specifically towards the financing of curatorial research into the collection and held within the Trust Funds.

*Capital funds*

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

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

	<b>Unrestricted Funds £'000</b>	<b>Restricted Funds £'000</b>	<b>Permanent Endowment £'000</b>	<b>Total Funds 2012 £'000</b>	<b>Total Funds 2011 £'000</b>
Tangible assets	–	206,507	–	<b>206,507</b>	209,277
Heritage assets	–	243,339	–	<b>243,339</b>	132,749
Investments	–	2,389	4,800	<b>7,189</b>	25,775
Other net assets/(liabilities)	3,176	2,471	–	<b>5,647</b>	1,793
Total net assets	<u>3,176</u>	<u>454,706</u>	<u>4,800</u>	<b><u>462,682</u></b>	<u>369,594</u>

**21. Notes to the cash flow statement****a. Net cash inflow from operating activities**

	<b>2012 £'000</b>	<b>2011 (restated) £'000</b>
Net incoming resources before transfers and other recognised gains and losses	<b>99,347</b>	6,992
Investment income	<b>(665)</b>	(812)
Donated collection acquisitions	<b>(71,257)</b>	(35)
Depreciation charge	<b>3,813</b>	3,475
Loss/(profit) on sale of fixed assets	<b>2</b>	(10)
Decrease in debtors	<b>2,846</b>	10,441
Increase/(decrease) in creditors	<b>(561)</b>	(1,315)
Decrease/(increase) in stocks	<b>(1)</b>	–
Net cash inflow from operating activities	<b><u>33,524</u></b>	<u>18,736</u>

The Cash Flow Statement and net cash inflow from operating activities for 2011 have been restated to bring additional clarity to the heritage asset disclosure.

**b. Management of liquid resources**

	<b>2012 £'000</b>	<b>2010 £'000</b>
Decrease in liquid investment portfolio deposits held as fixed assets	<b>16,733</b>	–
(Increase) in liquid investment portfolio deposits held as current assets	<b>(14,400)</b>	(11)
Management of liquid resources	<b><u>2,333</u></b>	<u>(11)</u>

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

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

	<b>2012</b>	2011 (restated)
	<b>£'000</b>	£'000
Increase/(decrease) in cash in the year	<b>18,810</b>	(1,550)
Cash balance at beginning of year	<b>18,134</b>	19,684
Cash balance at end of year	<b><u>36,944</u></b>	<u>18,134</u>

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

	<b>2012</b>	2011
	<b>£'000</b>	£'000
Balance with Government Banking Services	<b>2,341</b>	2,132
Balances held with commercial banks	<b>34,602</b>	15,999
Cash in hand	<b>1</b>	3
Cash balance at end of year	<b><u>36,944</u></b>	<u>18,134</u>

**22. Related Party Transactions**

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

The National Gallery also entered into material related party transactions with other related parties during the year, as set out below:

<b>Related party</b>	<b>Nature of relationship</b>	<b>Value of income received during the year £'000</b>	<b>Value of expenditure during the year £'000</b>	<b>Outstanding balances due from/(due to) at year end £'000</b>	<b>Nature of transaction</b>
American Friends of the National Gallery, London, Inc	Mr Mark Getty, director of the related party, served as trustee of the National Gallery during the year	901	–	–	Grants for Technical Bulletin, strengthening the curatorial department and development of the website.
British Museum	Entity sponsored by DCMS	–	19	–	Internal audit fee.
John S Cohen Foundation	The Chairman of the John S Cohen Foundation is married to a member of the National Gallery's Executive Committee	20	–	–	Donation towards an Education Department project.
National Gallery Company Ltd	Mr Simon Burke and Mr Lance Batchelor, directors of the related party, served as trustees of the National Gallery during the year	849	193	252	Rent for commercial space within the National Gallery and payment for publications.
National Gallery Trust	Mr Simon Burke, Mr Mark Getty and Mr Lance Batchelor, trustees of the related party served as trustees of the National Gallery during the year	13,026	4,704	(2,704)	Grants for specific projects and accounting fee.
National Museums Liverpool	Entity sponsored by DCMS	–	14	–	Reimbursement for costs they incurred in relation to the DCMS Strategic Commissioning Project.
National Portrait Gallery	Entity sponsored by DCMS	171	19	–	Utility supply and electrical main upgrade recharges.
Natural History Museum	Entity sponsored by DCMS	–	9	–	Fee for Museum Directors' Conference.
The NGT Foundation	Mr Mark Getty and Lady Heseltine, trustees of the related party, served as trustees of the National Gallery during the year	40	521	–	Rental of office space, annual management and accounting fee recharge.
The Victoria and Albert Museum	Entity sponsored by DCMS. Mr Michael Hintze, a trustee of the Gallery served on the International Council of the V&A during the year	–	1	–	Contribution towards the National Museums Online Learning Project.
The Wallace Collection	Entity sponsored by DCMS	10	–	–	Supply of photography services.
		<b>15,017</b>	<b>5,480</b>	<b>(2,452)</b>	

The Gallery considers the National Gallery Trust, the NGT Foundation and the American Friends of the National Gallery, London, Inc to be related parties because in each case one or more Trustees of the National Gallery also sit on the board of the related party. All three entities are entirely separate charities with independent boards, the majority of whose members are unconnected with the National Gallery. None of the related parties, or their subsidiary undertakings, is consolidated into the accounts of the National Gallery.

**23. Post Balance Sheet events**

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date shown on the audit certificate. There were no post balance sheet events to report.



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