

National Portrait Gallery Annual Report and Accounts 2010-2011

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

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED
14 SEPTEMBER 2011

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This publication is also for download at www.official-documents.gov.uk.

ISBN: 978 0 10 2975024

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2440917 09/11 19585 14814

Printed on paper containing 75% recycled fibre content minimum

Contents

| | Page |
|---|-------------|
| Trustees' and Accounting Officer's Annual Report | 2 |
| Remuneration Report | 16 |
| Statement of Trustees' and Director's Responsibilities | 24 |
| Statement on Internal Control | 25 |
| The Certificate and Report of the Comptroller and Auditor General | 28 |
| Consolidated Statement of Financial Activities | 30 |
| Consolidated Balance Sheet | 31 |
| Gallery Balance Sheet | 32 |
| Consolidated Cash Flow Statement | 33 |
| Notes to the Accounts | 34 |

TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT

INTRODUCTION

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31st March 2011. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and are presented in accordance with the reporting requirements of the Statement of Recommended Practice (revised 2005), *Accounting and Reporting by Charities*.

The Annual Report sets out:

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

STRUCTURE, GOVERNANCE AND MANAGEMENT (INCLUDING ADMINISTRATIVE DETAILS)

Constitution

The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established. The National Portrait Gallery is recognised as an exempt charity under the provisions of the Charities Act 1993.

History and Background

The National Portrait Gallery was founded in 1856 to collect and display portraits of eminent British men and women. The first acquisition to be registered was the portrait of Shakespeare, known as the 'Chandos' portrait. From its earliest days the Gallery has also collected extensive reference material relating to portraiture which has developed into a unique national resource. In the 1960s the Photographs Collection was revitalised and in 1969 portraits of living people were for the first time regularly admitted to the collection. Today it is among the largest and most prestigious collections of portraits in the world.

As well as a permanent display of portraiture from the sixteenth century to the present day, the Gallery provides a wide range of special exhibitions and displays. The Gallery's Learning department runs extensive education and outreach programmes for schools, colleges, families and visitors in general, promoting access to and understanding of the collections to a broad range of audiences.

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 11,300 portraits of the most famous people in British history. Of these more than 4,200 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 7,000 works on paper, shown on a rotating basis of about 300 items a year. Normally items not on display can readily be made available for viewing via the Collections Registrar. The Collection is also made widely available via the Portrait Explorer in the IT Gallery, by CD-Rom, on the internet (at www.npg.org.uk) and in Gallery and other publications.

The Gallery also holds Reference Collections as a national resource; they form an image bank of the nation's famous and less famous faces. They are used for study and exhibition, and have been extensively reproduced in books and other publications. There are more than 320,000 images in the Reference Collections, divided between the Archive Collection of about 80,000 items, mainly prints but also 2,000 drawings, 60 paintings and 100 sculptures, almost all relatively modest in nature, and the Photographs Collection of more than 240,000 photographs and historic negatives. The Heinz Library contains 35,000 books and some manuscripts.

The collection has been housed at St Martin's Place since 1896. The building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Sir Joseph (later Lord) Duveen. 1993 saw the opening of a permanent home in Orange Street for the Gallery's archive and library, funded by the Drue Heinz Foundation, together with new offices and a conservation studio. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, improved visitor facilities and a new

lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors. In 2004, the refurbished Regency display in the Weldon Galleries completed a ten year programme of buildings renewal.

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

Structure, Governance and Management

The Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport. A Board of sixteen trustees (including the Gallery's two *ex-officio* Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Olympics, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. Outside Trustee meetings, it is assumed that they will make themselves available for consultation and specialist advice, whenever appropriate, as well as acting externally as advocates for the Gallery and assisting in the processes of fund-raising. There is a committee of the Board which covers audit and compliance. The Gallery also has a development board to support fundraising initiatives. In 2010, the Gallery formed an Investment Committee with a mix of trustees and independent members.

A list of Trustees during 2010/11 and up to the date on which the accounts were signed is at page 20. Following their appointment, new Trustees are given a Trustees' handbook, policy papers and a full induction about the National Portrait Gallery and their terms of appointment, duties, rights and responsibilities. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held, which is open to the public, and can be accessed in The Heinz Archive and Library.

The Director of the Gallery is Sandy Nairne. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its financial, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual strategic review day.

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

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

Details of the Gallery's external advisers are at pages 20 and 21.

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

OBJECTIVES

Objects and Key Policies of the Gallery

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

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

In pursuing these aims the Gallery recognises the need to make the most efficient use of its assets and to generate income to supplement government grants. This income is generated from activities such as sponsorship, corporate and individual membership schemes, publishing and trading. Grant-giving bodies provide welcome support

for acquisitions and projects. The Gallery has had a number of successful fundraising campaigns for its capital projects and major acquisitions.

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

The National Portrait Gallery is an equal opportunities employer. The development of working practices and a working environment that facilitate this, in particular with regard to the employment of disabled persons, are key objectives, as embodied in its combined Equality Scheme. The Gallery has a comprehensive policy and training programme aimed at securing the health, safety and welfare of its employees, (see page 11).

Gallery employees are involved in the development of policies, strategic and corporate plans and performance targets through corporate planning and performance management procedures. Management meetings and newsletters provide a regular means for the consideration of issues and dissemination of information to staff throughout the year. Regular meetings between staff and management ('Whitley Council' meetings) provide a forum for discussion of staff issues. The Gallery continues to receive valuable support from volunteers, as detailed on pages 11 and 12.

Objectives and Performance Indicators

The three-year Funding Agreement with the Department for Culture, Media and Sport for 2008 to 2011 includes seventeen key performance indicators relating to audience profile, learning and outreach, visitor satisfaction, income generation and regional engagement, with a further four chosen by the Gallery. Funding Agreement performance indicators are reviewed quarterly by Trustees and annually by DCMS. Reference is made to these indicators throughout the Annual Report with the Gallery's performance in 2010/11 (with comparators for previous years, where appropriate) detailed on pages 22 and 23.

The 2010 to 2013 Corporate Plan established six primary objectives for the Gallery's three-year business plans as follows:

Charitable activities

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

Increasing and developing resources

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

ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

1) Extending and broadening audiences

Visitor numbers

Throughout the year the Gallery has continued to attract new audiences, through communications, the public programme, outreach activities and increased access to the Collection through our partnerships across the UK.

The Gallery attracted over 1.76 million visits in 2010/11, an 11% decrease in comparison to 2009/10, which was the best year in the Gallery's history. Despite the fall in numbers compared to the previous year, 2010/11 experienced the third highest visitor numbers in the Gallery's history. The *BP Portrait Award 2010* attracted on average over 3,000 visitors a day, making it the most popular exhibition in the Gallery's history. *The Indian Portrait* was a great success receiving over 139,000 visitors, 82% over the expected visitor figure and *Irving Penn Portraits* attracted over 73,000 visitors, 47% above target. Research results indicate that enjoyment and satisfaction levels remain high, with 98% rating their visit 'good' or 'excellent'. 92% of visitors said that they would be likely to return in the future and 93% said that they would 'definitely' recommend a visit to the Gallery.

Marketing

The '*Take Another Look*' marketing campaign, won a series of accolades including a silver award at the DBA Design Effectiveness Awards 2011. Effective audience development was undertaken for *The Indian Portrait* and 24% of all visitors to the exhibition were from Black, Asian and minority ethnic groups.

Press

Campaigns for exhibitions and displays resulted in worldwide coverage. *Making Art in Tudor Britain* and the Scharf archive project received extensive exposure in the general press. The Gallery was featured in several documentaries including *The Genius of British Art*.

Late Night Opening

Thursday and Friday evening opening has been enhanced by sponsorship from FTI Consulting and was re-launched in May 2010 as *Late Shift*, placing the Gallery firmly on the map of evening cultural activities in London with a programme of talks, workshops, DJs sets and the Friday Evening Music Series.

Recent highlights included *Late Shift Extra: Snapped*, a collaboration with *All Walks Beyond the Catwalk* founders Caryn Franklin, Debra Bourne and Erin O'Connor, to tie in with London Fashion Week in February 2011. The evening explored fashion and beauty in the Collection, including the first *Late Shift* printed tour, and attracted a record-breaking audience of 3,977 people.

Families and young people

New storytelling sessions exploring hidden stories within the Collection have proved popular with our family audience. A fresh new visual identity for families has been created to increase the visibility and profile of the family provision in the Gallery. This is part of a wider strategy to create resources, interpretation and programmes for families in the next year.

The Gallery's Youth Forum continues to play an active role in shaping the programme and projects for young people. For the *BP Portrait Award Next Generation* project, part of the Gallery's Cultural Olympiad programme, a group have been interviewing and filming *BP Portrait Award* winners for a new microsite. Over the next year they will record at least twenty interviews for schools and young people across the country. The *Young Mums Project*, supported by the City of Westminster, took place from January to March 2011. Photographic artist Marysa Dowling worked with seven young mothers based at the Queen's Park Children's Centre, who created a series of photographic portraits and completed a bronze arts award, helping to inspire aspirations to continue into education and employment.

Schools and colleges

38,600 taught and self-directed learners used the Gallery this year, with a further 4,522 taught off-site through outreach and video conferencing. The Learning team have continued to support teachers and students through high quality taught sessions, 'Meet the Artist' events and a continuing professional development programme for teachers.

Adult Programme

A range of events including two academic conferences, day symposia and regular daytime provision has attracted a varied audience and well attended events. Recent highlights include Lunchtime Lectures by Diana Souhami on Edith Cavell, Helen Hackett on Women Writers of the English Renaissance, Judith Bronkhurst on William Holman Hunt, Suzanne Fagence Cooper on Effie Millais and Paul Ibell on Laurence Olivier.

Outside the Gallery

Our targeted community and outreach work continues to be over-subscribed and has included working with diverse audiences such as basic skills groups, looked-after young people and hospital schools. Working in partnership with young people and community groups within the five Olympic boroughs, creative workshops have taken place to create an audio and photographic narrative project around the London 2012 Olympics from a local perspective. This material will be published on the *BT Road to 2012* website.

The Studio Gallery

Year two of *Chasing Mirrors*, a three-year community engagement project funded by John Lyon's Charity attracted over 44,000 visitors. The exhibition was produced by Arabic speaking young people from West London in collaboration with lead artist Alinah Azadeh. They explored the representation of self through descriptive text and wrapped symbolic objects in a striking installation piece. Associated programmes proved very popular and attracted a wide range of audiences.

Interpretation

The Gallery's first App for smartphones was released in January 2011 repurposing material made for the Gallery audio guide. Offering videos, trails, audio tracks and information about the Collection to a global audience, over 3,000 downloads were achieved in the first three months.

National programme

The partnership exhibition *Writers of Influence* curated by young people saw the *Chandos Portrait* of William Shakespeare travel out of London for the first time attracting over 85,000 visitors in venues in Sheffield, Sunderland, Plymouth and Southampton. A new web resource aimed at young people drew on content from the partnership project www.npg.org.uk/creativecareers.

An active programme of events for the Understanding British Portraits network included a seminar on Nineteenth Century Photographic Portraits. Long term partnerships with Bodellwyddan Castle and the National Trust at Montacute House and Beningbrough Hall saw 284,119 visits. The Gallery also made 693 short-term loans to 88 venues and 547 long-term loans to 60 venues.

2) Developing the Collection

Acquisitions

The most extraordinary acquisition of the year, Daniel Gardner's large pastel and gouache of 1775, *The Three Witches from Macbeth*, has been added to the Collection thanks to the government's acceptance-in-lieu procedures. It depicts three of the most notorious women of the late 18th century, Georgiana Cavendish, Duchess of Devonshire, Elizabeth Lamb, Viscountess Melbourne and Anne Seymour Damer. They were intimate friends sharing a common passion for Whig politics and the arts.

It has been a good year for photograph acquisitions, many arising from the *Beatles to Bowie* exhibition, including the work of Tony Frank, Don McCullin, Gered Mankowitz and Norman Parkinson. Other acquisitions resulting from exhibitions and displays include Howard Coster's *Hilda Matheson*, given by Adam Nicolson, Yousuf Karsh's *Sir*

Winston Churchill, given by the Karsh estate, and Mario Testino's Prince Charles with Princes William and Harry, given by the photographer. Vintage photographs by E.O. Hoppé from the 1910s and 1920s have been acquired from his grandson. Three classic photographs by Herbert Ponting of members of the British Antarctic Expedition, 1910-13, and a Baron De Meyer self-portrait, were purchased from New York dealers.

It was also a good year for acquiring drawings, including self-portraits by Derrick Greaves and Roger Hilton and, funded by the Elizabeth Weisz Bequest, caricatures of Theodore Watts-Dunton, Herbert Morrison and Iris Murdoch. Other 20th-century acquisitions include Jacob Epstein's bronze bust of Nehru, first Prime Minister of India, and Sir Gerald Kelly's painting of the arts and crafts architect, Sir Guy Dawber. Tony Bevan gave two preparatory studies for his portrait of Alfred Brendel, commissioned by the Gallery in 2004.

Commissions

Three newly commissioned portraits have been completed. Diarmuid Kelley's study of the former Chief Inspector of Prisons, Dame Anne Owers, was painted in the studio after he accompanied Dame Anne on a prison visit. David Copley also spent time with his subject at work, depicting the Nobel prize-winning scientist Sir Martin Evans in the laboratory. The background of the portrait replicates a significant page of the sitter's research notebook. Jonathan Yeo's painting of the popular broadcaster Sir Michael Parkinson conveys the sitter's warm and informal manner.

The Heinz Archive and Library

Several gifts have been received. Prints of Charles Hoare and Frances Dorothea Hoare both by James Posselwhite after George Richmond and a print of Sir Thomas Dyke Acland by an unknown artist were given by Oliver Thorold. An album of prints by and after Thomas Charles Wageman and Michel Angelo Wageman was received from Mr and Mrs Meech. A set of lantern slides of political caricatures by Francis Carruthers Gould was given by Keith Wilson.

The Photographs Collection

More than three hundred photographs were acquired, most notably the Patrick O'Connor bequest, focusing on Edwardian musical hall, theatre and dance subjects including Marie Lloyd, Hettie King, Dan Leno, Vesta Tilley and Anna Pavlova. Other donors include Mike Berkofsky, Euan Duff and Xenia Dennen. Significant works from the 1960s and 1970s include some thirty photographs by Brian Shuel of subjects from folk music and the arts. An important image of Sandy Denny by David Bailey was given by Denny's estate. Among many contemporary acquisitions, the Collection was enhanced by works by Jason Bell, Guglielmo Galvin, Neil Gavin, Nadav Kander, Richard Saker, John Swannell and David Vintiner.

Care of the Collection

The main project has been planning and preparing the Collection for a move from existing off-site storage to the shared Tate Store at Southwark, which is an important new partnership for the Gallery. Audit and conservation condition surveys were undertaken to ensure safe transportation. The *Writers of Influence* exhibition, which travelled to four partner venues, involved the team in the preparation of seventy-one works which were couriered and condition checked at each venue.

Portrait Fund

The Gallery's Portrait Fund (the object of which is to assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation) has benefited from substantial support, which included generous donations from Viscountess Eccles, Lord Marcus Sieff and Sir Christopher Ondaatje, and a generous commitment from the Lerner Foundation. The Lerner Foundation gift was made over three years, the last tranche being received in January 2010, and has been used to build up the Portrait Fund and to enrich specific vital Gallery programmes.

The fund operates under its own trust deed; the three founding Trustees of the Portrait Fund are David Cannadine, Amelia Chilcott Fawcett and Lady Douro, from the Gallery's own Board of Trustees. In 2006/07 Sir Christopher Ondaatje (a former Gallery Trustee) and Matthew Freud became Trustees of the Portrait Fund, and in 2010/11 Crispin Odey became a Trustee.

During 2010/11 there were two small legacy additions to the Portrait Fund which remains at around £5.8m. An Investment Committee was formed to provide advice to the Portrait Fund Trustees over the investment of the

Fund's reserves. During the year final amounts from the Lerner Gift contributed to a number of crucial Gallery projects. We plan to further build up the Fund through legacies and the support of special projects, most notably the special box set of prints donated by Mario Testino, entitled *Classic Portraits*.

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

3) Increasing the Understanding of and Engagement with the Collection

The range and diversity of the Gallery's programme continued to reflect our ambition to reach the widest possible audience and generate interest in portraiture both nationally and internationally. These ambitions have developed mindful of the changing economic climate, sustainability and innovation. Exhibitions, displays, research, digital activity, cataloguing and publishing have showcased the Collection and brought to the fore the work of artists and photographers whose careers are emerging, established or have been neglected in recent years. Partnerships have included working on exhibitions with the Jeu de Paume in Paris and Yale Center for British Art in New Haven, USA.

Exhibition Highlights

Camille Silvy, Photographer of Modern Life, 1834 – 1910 and *Thomas Lawrence: Regency Power and Brilliance*, exhibitions of important but perhaps neglected artists, were very well received critically. The *BP Portrait Award 2010*, including the *BP Travel Award 2009*, opened in the summer with a record 2,177 entrants and the *Taylor Wessing Photographic Portrait Prize 2010* received 2,401 entrants.

Spring 2011 saw *Hoppé Portraits: Society, Studio and Street* which focused on one of the most important photographers of the early twentieth century and *Ida Kar: Bohemian Photographer* showcasing the work of the first photographer to have a solo exhibition in London at the Whitechapel Art Gallery in 1960.

Immunity from Seizure

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

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

The National Portrait Gallery applied for approval under Section 136 of the Tribunals, Courts and Enforcement Act 2007 on 15 December 2008 and this was granted on 17 February 2009. The NPG provides information on its website for Immunity from Seizure: <http://www.npg.org.uk/about/foi/immunity-from-seizure.php>.

The galleries and displays

Displays designed to show the strengths of the Gallery's collections celebrated anniversaries for the Royal Society, Florence Nightingale, William Holman Hunt, Gilbert & Sullivan and D.H. Lawrence's *Lady Chatterley's Lover*, as well as featuring the work of Francis Chantrey, Alfred Chalon and Honoré Daumier. Also featured were photographs by H. Walter Barnett, Jason Bell, Venetia Dearden, Dmitri Kasterine and Mary McCartney. *Camden Town and Beyond* celebrated recent acquisitions. 20th century and contemporary displays included *Bridget Riley Portraits*, *Tony Bevan Self-Portraits*, *Alex Katz Portraits* and *Michael Landy: Art World Portraits*.

Digital programmes

The *Later Victorian Period Catalogue* and the *Making Art in Tudor Britain* database provided in-depth content on the Gallery's website. A redevelopment of the website home page promoted different aspects of the site and social media channels more successfully. The 'Shop' and 'Search the Collection' areas were enhanced with many new features.

A new *Visitor Choice* touch-screen facility saw 21,821 votes cast by visitors for their favourite *BP Portrait Award 2010* painting. 11,818 portraits in the collections were digitised; 87,451 images or over half the 166,098 catalogued

records are now available. An in-house digital collection photography programme was initiated to continue the work of digitising the collections.

Research programmes

The year saw the release onto the website of the first 100 entries of the *Catalogue of Later Victorian Portraits* including full listings of all known portraits of sitters ranging from Aubrey Beardsley and Julia Margaret Cameron to William Morris and John Ruskin.

The year has also been a productive one for individual members of staff, for further information visit www.npg.org.uk/research.

Cataloguing the Collection

3,056 prints, mainly from the Large Portfolio collection, were catalogued in the Archive & Library and scanning of the extra-illustrated set of the Rev. James Granger's *A Biographical History of England from Egbert the Great to the Revolution* continued.

2,785 photographs have been catalogued, with a special focus on Camille Silvy and contemporary nineteenth century carte photographers. From the twentieth century, work has begun on completing cataloguing of the Bassano studio half-plate negative collection covering 1925-1940. A wide range of contemporary acquisitions have been catalogued including John Swannell and Denis Waugh.

Publishing

Publishing partnerships were expanded in the UK, US and Europe including French and American editions of *Camille Silvy: Photographer of Modern Life*. The range of Collection-based titles was increased and the team successfully launched non-book products including postcards and greetings cards. *Twiggy: A Life in Photographs* won Best Trade Illustrated Book at the 2010 British Design & Production Awards, and *Camille Silvy* was nominated for the Kraszna Krausz Best Photography Book Award.

4) Increasing and Developing Resources

Financial summary

2010/11 has been a successful year for the Gallery in terms of meeting internal financial targets and audience development objectives, as well as achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport. The Gallery has nonetheless had to adjust to a more difficult funding climate, with a noticeable scaling back in the period in corporate sponsorship, a 3.8% cut in total grant-in-aid (resource and capital), and a reduction in visitor numbers since the autumn which was later compounded by the very poor weather in the run up to Christmas. The Comprehensive Spending Review settlement in October indicated that the squeeze on public funding would continue for some time to come with a 15% real cut in resource grant-in-aid over the next four financial years up to and including 2014/15. Notwithstanding these funding challenges, both present and future, the Gallery was able to deliver a lower deficit in the year than it had originally budgeted, and this has provided a firm foundation for the Gallery to build upon to take it through the difficult period ahead.

Voluntary income

It has been a challenging year for the Development team in the current climate, with venue hire and corporate membership being the most vulnerable areas. However, a number of new sponsors have joined our long-term supporters, as indeed have new trusts, and our individual donors continue to enjoy their association with the Gallery, with the retention rate at all levels remaining high.

Individual Support (Patrons, Associates, Members)

Patronage has continued to grow and the Patrons' events programme included a visit to Keats House, the newly re-opened Strawberry Hill and a number of exhibitions at other galleries, including *Gauguin* at the Tate. Associates group membership levels were sustained and cultivation events attracted a new audience of young professionals. Membership numbers were maintained at 6,600 with an overall retention rate of 65% and website improvements meant that online joining increased by 30%.

Development Board and Board of American Friends

This was the final year of the Development Board in its current form and the Gallery is immensely grateful to all the Board members for their invaluable advice. Going forward we are creating a new Development Council which will have a more one-to-one approach with members of the Development team and the Director. Many thanks also go to the Board of the American Friends for their help and support, and particularly to Robert Donnalley for taking over as Acting President following the sad death of David Alexander, who had led the Board with great enthusiasm and wise words over a number of years.

Charitable Trusts and Foundations

Charitable trusts and foundations continue to provide a valuable source of income. During 2010/11 we have secured grants for *Making Art in Tudor Britain* from a number of trusts including the British Academy, Esmée Fairbairn Foundation, Leverhulme Trust and the Mercers' Company, as well as a range of support for a number of smaller projects.

Activities for generating funds

Corporate Support

The Gallery enjoyed the continuing support of BP for the *Portrait Award* and Taylor Wessing for the *Photographic Portrait Prize*. The second year of *Road to 2012* was supported by BT and the Gallery launched the *Late Shift* in partnership with FTI Consulting.

Venue Hire

Venue hire improved in 2010 and a number of new clients booked private events at the Gallery, including Permira Advisors LLP, NIBC Bank N.V, and Unigestion (UK) Ltd. Corporate Partners and Sponsors, such as BT, Herbert Smith and Deutsche Bank, also held a number of events. Repeat private hire bookings were made by IBM, Duncan Lawrie and Mott MacDonald.

Trading company

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, earned profits of £406,000, which it will Gift Aid to the Gallery. The Company's business includes retail, venue hire and the catering franchise. The profit achieved in the year was a good result in an extremely challenging trading environment. During the year the Company was able to augment the income from its three primary business lines with income from other sources, and the Board of Directors will continue to develop these alternative lines in 2011/12, in response to the continuing difficult economic conditions.

Retail

A partial refurbishment of the gift and book shops and the re-launch of both our print on demand service and our online shop were the main business drivers in 2010/11. Difficult trading conditions on the high street were reflected in the Gallery's shops where, apart from *BP Portrait Award 2010*, which was our most commercially successful free exhibition, a less popular series of exhibitions than in recent years resulted in subdued sales. However, the recent buying review has helped to increase the amount spent by each customer and several new ranges have proved very popular.

Right and Images (Picture Library)

Following its 2009/10 review, the Rights & Images team focused on revenue generation, delivering profits substantially higher than budgeted, streamlining operations, reducing costs and exploring licensing arrangements in new markets, whilst implementing developments towards improving access for academic and non-commercial use of images.

Catering franchise

Catering income increased by 26% during the year. This was despite an 11% drop in Gallery visitor numbers in the year compared to 2009/10, and the very difficult trading conditions experienced in the run up to Christmas as a

result of the very poor weather. The Portrait Restaurant performed particularly well and indicates that it continues to be an attractive destination for visitors to the Gallery.

Investment and Other income

Investment income derived from interest and dividend payments decreased by 18% compared to that earned in 2009/10. However, this fall was as a result of £7.6 million of the Gallery's reserves being moved from bank accounts earning interest to the investment portfolios managed by the Gallery's investment advisors – Partners Capital LLP. The move was in response to the continued very low interest rates being offered by the banks on cash deposits. These investment portfolios had appreciated in value by £167,000 by the year end. The appreciation, however, was in the form of an unrealised gain. Other income increased by 42% compared to 2009/10, caused by a further recovery of overpaid VAT.

Effectiveness and efficiency

Buildings and facilities

As part of the Gallery's focus on developing a more strategic approach to its procurement activity it implemented "Observatory", a Treasury backed management information system. This tool has already allowed the Gallery to begin measuring its procurement performance and demonstrating that in some instances the Gallery is exceeding Government targets in relation to public procurement spend (e.g. spend with Small and Medium sized Enterprises). There was also a push to reduce costs (whilst maintaining service quality) through the renegotiation of strategic contracts such as the Gallery's data back-up service and by the delivery of projects such as the relocation of our stored collection from Merton to Tate, which not only resulted in cash savings but greater efficiency, as the Gallery now has access to a more local, state of the art storage facility. The Gallery continued focussing on 'sustainability' by replacing two chillers which it is expected will reduce the Gallery's electricity consumption.

Staff

The average number of staff sick days taken in 2010/11 fell to 6 days per member of staff (excluding staff on long term sick), from 7 days in 2009/10. Staff absence at the Gallery continues to remain below the average number of days sick absence for the public sector of 9.6 days, according to the Chartered Institute of Personnel and Development's 2010 Absence Management Survey.

Training

As we continue to improve management capability across the Gallery we have introduced a Project Management Framework and related training for managers. We have also launched a trial mentoring scheme in collaboration with the Museum of London. Thirty-six mentors and mentees have been drawn from both organisations to participate and if the project proves successful the scheme will be widened to involve other organisations.

Recruitment

Despite the continuing slow down of the economy, employee turnover during 2010/11 increased to 13% in comparison to 9% in 2009/10. A number of factors contributed to this including funded posts coming to an end and a cycle of some senior posts turning over after a ten year tenure.

Diversity

During the year we have revised and simplified our Equality Action Plan and introduced Bullying and Harassment Procedures that have been briefed to managers through a series of workshops. We also continue to participate in the Culture Quarter Programme to provide six months work based training to young unemployed people. The success of the Programme's participants in securing employment led to an invitation to explain more about the programme to a group of Members of Parliament that included both the Ministers for the Arts and for Employment.

The composition of the Gallery's workforce is 89% white, 11% black and minority ethnic, 68% female, 32% male, 3% disabled and 33% part-time employees.

During 2010/11, the Gallery received valuable support from volunteers as follows:

| | Full time equivalent |
|--|----------------------|
| Extending and broadening audiences: | 1.6 |
| Developing the Collection: | 2.4 |
| Increasing understanding and engagement with the Collection: | 5.1 |
| Trading: | 0.6 |
| Support: | 0.1 |

Improving our services

Sustainability

The Gallery has remained committed to improving services. In the past year LED (light emitting diode) lighting of portraits has continued to bring international recognition for our innovation. This, and the installation of new chillers on the Gallery roof, has helped reduce energy consumption and our carbon footprint.

Visitor Services

Services to visitors have been enhanced by the new audio guide, which allowed a specific audio tour for the *Thomas Lawrence* exhibition to be produced. An operational review of the Visitor Services function is leading to important renewal of management and support arrangements for this crucial area of work.

Services to research and readers

The Heinz Archive and Library received 1,428 visitors, answered 2,201 enquiries and hosted a number of group visits from the Higher Education sector. Since the launch of the archive and library catalogues on the Gallery website, usage has averaged 930 hits a month. The papers of Sir George Scharf were catalogued with support from The National Archives and pilot projects to review the use of the shared drives and to automate portrait indexing were completed. Under Freedom of Information (FOI) 26 requests and 3 appeals were handled and 16 Parliamentary Questions were answered.

Records and information

Retrospective cataloguing of the Gallery's Records and Library continued: high priority records have been added to the CALM archive system and the Artist's section of the Library has been catalogued onto the EOS library system. The project to catalogue the papers of Sir George Scharf, funded by a grant from The National Archives, was completed in November and was launched on the Gallery website. Library catalogue records are being added to the online National, Academic and Specialist Library Catalogue COPAC.

The National Portrait Gallery has suffered no protected personal data incidents in 2010/11 or prior years and has made no such report to the Information Commissioner's Office.

Governance

The Gallery seeks to uphold the highest standards of governance through the accountability and transparency of its management processes, decision-making and communications. Actions taken during the year to strengthen and improve governance included the preparation of an investment strategy for the Gallery's cash reserves, the further development of the Investment Committee to oversee the implementation of the investment strategy, the introduction of new policies covering Information Security and Fixed Assets, and updated Data Protection and Recruitment policies. The Gallery also initiated the recruitment of an additional independent member to sit on its Audit & Compliance Committee.

FINANCIAL REVIEW

Presentation

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

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

As required by the SORP, the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2010/11 and beyond. The Statement of Financial Activities apportions the cost of support services (directorate, personnel, finance, IT, utilities, maintenance, communications and office expenses) and depreciation across the various headings of cost of generating funds and charitable expenditure.

Financial Performance

2010/11 has been a challenging year for the Gallery, the uncertain economic environment, the stubbornly high inflation rate, the reduction in grant-in-aid and the poor weather in the lead up to Christmas have impacted adversely on the Gallery's income. However, despite this, the Gallery has achieved good results in the year in terms of meeting internal financial targets and audience development objectives, as well as achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport.

Statement of Financial Activities

During the year, the Gallery received £7,577,000 (£7,744,000 in 2009/10) in grant-in-aid from DCMS, a 2.2% decrease on the previous year. The Gallery also received an allocation of £147,000 from the Strategic Commissioning Fund (jointly sponsored by the DCMS and the Department for Education). Grant-in-aid represented 53% of total income received in 2010/11, (43% in 2009/10).

Overall, total incoming resources were 20% lower than in 2009/10, with self-generated income being 34% lower. This was because 2009/10 was an exceptional year for visitors, with strong performances from the *Beatles to Bowie* and *Irving Penn* exhibitions in attracting admissions and retail income. Conversely, the *Thomas Lawrence* and *EO Hoppe* held during 2010/11, although receiving critical acclaim, did not attract the same numbers of visitors as *Beatles to Bowie* and *Irving Penn*, and admissions and retail income associated with these exhibitions was correspondingly lower as a result. Furthermore, the impact of the uncertain economic climate on corporate sponsorship was also felt during the year with both the *Thomas Lawrence* and *EO Hoppe* exhibitions unable to attract sponsors. Finally, the Gallery received a 3.8% cut in its total 2010/11 grant-in-aid allocation, and income in the previous year, 2009/10, benefitted from the receipt of the last £2.1 million tranche of the Lerner Gift.

Gross self-generated income represented 47% of total income, compared to 57% in 2009/10. Retail had a disappointing year compared to earlier years, with sales 20% lower than in 2009/10 (see Note 2c). The reduced numbers of visitors in year and the poor weather conditions had an adverse impact on Retail's results in 2010/11. Publications performed well, earning £249,000, although not as good as 2009/10. Despite the difficult economic climate, Venue Hire and the Picture Library both saw income rise compared to 2009/10. Corporate membership continued to be disappointing, being 15% lower than in 2009/10, again indicating the fragility of the economic recovery in the corporate sector. Voluntary income was also lower than in 2009/10, although this was to a large degree an outcome of the receipt of the final tranche of the Lerner Gift in 2009/10.

The Gallery's trading company had a reasonable year of trading despite its retail arm experiencing difficult trading conditions, earning profits before tax of £406,000.

Overall, resources expended fell by just under 1%. During the year the Gallery examined its cost base in considerable detail in preparation for the outcome of the Comprehensive Spending Review and in the light of the generally more unpredictable economic climate. Some of the cost saving initiatives identified in that review have been adopted early and will continue in the following years, as on average, Gallery departments have been required to deliver 9% savings on their operational budgets over the next four years.

Support costs fell by 4% compared to 2009/10, but this was primarily the result of the re-categorisation of Digital Programmes costs as front line costs instead of support costs. If Digital Programmes costs had remained as support costs, then support costs would have increased by 2% compared to 2009/10, but below the rate of inflation – this

increase, however, would have been mainly as a result of depreciation, which increased by £139,000 (6%) and which included a one-off loss on disposal of £130,000 relating to items of plant and machinery. Total resources expended net of Support Costs were 1% higher than in 2009/10.

Total staff costs as a proportion of total resources expended rose to 54%, compared to 52% in the previous year. The average cost per employee rose by 0.5%, although staff numbers increased by 2%. The increase in staff numbers related to the creation of project posts funded from the Lerner Gift and other project funds.

The table on pages 22 and 23 demonstrates that the Gallery has performed well against the majority of performance indicators included as part of the Gallery's Funding Agreement with DCMS.

Balance Sheet

Unrestricted Funds

The brought forward Unrestricted Funds balance of £16.1 million decreased by £2.7 million during the year, as a result of a reduction in unrestricted fixed asset values relating to the Gallery's plant and machinery, and the Gallery expending its Investment and Contingency reserves to fund ongoing projects. The closing balance was £13.4 million of which £9.6 million represents the capital assets – plant and machinery and furniture and equipment - funded from self-generated income (which are therefore not available to spend). £3.5 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2011/12 (held in the Deferred Projects Fund). The General Fund remains at £250,000 in accordance with the Reserves Policy below. Going forward, it will be important for the Gallery to maintain a healthy unrestricted reserve to ensure it has sufficient funds to finance its key activities during what is likely to be a prolonged period where the public sector finances will be under considerable strain.

Restricted Funds

The restated brought forward Restricted Funds balance of £54.3 million was increased by £1.7 million. The closing balance of £56.1 million consists of £38.5 million representing the Gallery's land and buildings, and £11.1 million representing donations for capitalised acquisitions (including the value of donated objects); neither of these amounts is therefore available to spend. The balance of £6.5 million represents The Portrait Fund, together with funds donated and available for the restricted purposes of grant-funded projects to be completed and the acquisition of specified categories of portraits.

Fixed Assets

The principal fixed assets represent the depreciated value of the St Martin's Place and the Orange Street buildings which were re-valued professionally at 31 March 2009. In accordance with Treasury guidance, the Gallery has adopted a policy of using appropriate indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery, in the years when they are not professionally re-valued. Other classes of assets have been valued on an historic cost accounting basis. The net book value of St Martin's Place and Orange Street, including fit-out, at 31 March 2011 was £38.5 million.

Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2010/11 the Gallery paid approximately 71% of its invoices within 30 days of the invoice date, compared to 74% in 2009/10. However, it paid 87% (85% in 2009/10) of the invoices within 30 days of receipt of the invoice, in accordance with its terms and conditions of purchase.

Investment Policy

Investments are held in accordance with the Trustees Act 2000. Surplus cash is held on deposit with National Westminster Bank Plc, which provides daily access while earning interest, but also maintaining an adequate level of liquidity necessary for the payment of current liabilities. The Gallery also has a total of £36,000 in Charinco (managed by Black Rock Investments) and COIF (managed by CCLA), which are both common investment funds (see Note 8).

In 2009/10 the Gallery established an Investment Committee with the purpose of preparing an investment strategy for the Gallery's and Portrait Fund's cash reserves. The Committee would review the investment strategy on a regular basis, and would be responsible for providing general investment advice to the Trustees and monitoring any asset managers employed to manage the portfolios of investments. The Committee was created following a review of the investment strategy in the light of the significant reduction in interest rates for reserves held in the form of cash, and the Trustees' decision that it would be prudent to consider investing the reserves in investments other than cash, where this is appropriate. Three external members (Anthony Brooke, Jeremy Sillem and Ben Whitmore) were invited onto the Committee, which is chaired by Amelia Chilcott Fawcett CBE. The Committee identified several investment advisors it considered should be invited to tender for investment services. The tender exercise was completed in May 2010 and Partners Capital LLP were recommended to the Board of Trustees as investment advisors. Formal appointment of Partners Capital LLP was approved by the Board of Trustees at its meeting in July, at which the Investment Strategy was also approved. Investments were transferred to Partners Capital's management in December 2010 and also in February 2011.

The Gallery and Portrait Fund's Investment Strategy is based on a consideration of the risk, return and cash flow requirements arising from each reserve fund. The strategy is implemented through investment in two portfolios managed by Partners Capital LLP. The market value of the Gallery's investment was £7.7 million, and of this, £5.7 million related to the Portrait Fund's restricted long and short term investments combined.

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

| Fund | Portfolio objective | Performance objective |
|---|---|--|
| Portrait Fund Reserve | To assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation. | The chosen investment portfolio is designed by Partners Capital to target 2.7% per annum real returns. |
| Long term: | Long term total return, looking for modest capital appreciation. Investment timeframe of up to 5 years. | |
| Short term: | Preservation of capital the highest priority. Investment timeframe of 12 months. | |
| Investment and Contingency Fund Reserve | A designation of surpluses to be invested in projects in accordance with the reserves policy. Preservation of capital the highest priority. Investment timeframe of up to 12 months. | The chosen investment portfolio is designed by Partners Capital to target 1.9% per annum real returns. |

Fund performance is measured against agreed benchmarks, and an asset allocation profile is agreed for each fund. Portfolio rebalancing normally occurs at each Investment Committee meeting (usually three times a year), but may be taken on a more frequent basis where required in response to market conditions. There is no leverage (borrowing to invest) at the portfolio level. Funds may not invest in illiquid assets (defined as assets that cannot be liquidated for cash within 18 months under normal redemption terms).

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

Over the very short period the externally-advised portfolios have been in existence, the Portrait Fund portfolio earned a nominal return of 2.3% and the Investment and Contingency Fund portfolio earned a nominal return of 2.1%, ahead of inflation over the same period. The Investment Committee anticipates that given the current situation of weak economic growth and nominal interest rates below CPI inflation, it will be difficult to achieve the target real returns (i.e. net of the effects of inflation) in the short term. The Bank of England believes that UK inflation is elevated currently due to temporary factors and that it is likely to decline over the next couple of

years. The market expectations are for short-term interest rates to rise, and so the factors determining the present market conditions are likely to improve over time. Furthermore, the asset allocation policies for the portfolios are intended to target positive real returns over the longer-term.

Reserves Policy

The Trustees perform an annual review of the Gallery's needs for reserves in line with the guidance issued by the Charity Commission. Around 50% of annual income is received as recurrent grant-in-aid from the government. The balance is derived from self-generated income which is mostly volatile and vulnerable to economic downturn. The Gallery has no general endowment and only a modest endowment for the support of the acquisition of major portraits (see below).

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £250,000 in the General Reserve equates in total to approximately three-quarters of the average stock levels in the accounts.

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

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

£1.1 million of the £2.9 million balance as at 31 March 2011 has been allocated to specific projects for these purposes in 2011 to 2013. A further £0.55 million has been set aside for contingencies, consisting of £0.3 million held as contingency against unforeseen expenditure and short-term losses of income and £0.25 million held in order to smooth fluctuations on baseline expenditure which needs to be averaged across several years, such as the exhibitions programme. Any balance (up to £0.25 million per annum) allows the Director to take advantage of unexpected opportunities during the year. The fund is replenished with one-off unrestricted income (apart from legacies designated for The Portrait Fund as below) and with any annual surplus in excess of the balance maintained in the General Reserve.

The Deferred Projects Fund represents underspends generated in the previous financial year, which are to be employed in specific projects, usually in the current financial year; the full balance of £675,000 is expected to be spent in 2011/12.

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

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

Related Parties

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

REMUNERATION REPORT

The following sections provide details of the remuneration and pension interests of the Gallery's most senior management, consisting of the Director, Sandy Nairne, and the two Deputy Directors, Pim Baxter - Director of Communications and Development - and Jacob Simon, Chief Curator.

Service Contracts

Appointments of the Gallery's Director, Director of Communications and Chief Curator are made on merit and on the basis of fair and open competition.

The Director has a permanent contract of employment, effective from November 2009, with a six month notice period and its terms are agreed with the Department for Culture, Media and Sport. Prior to this, he was employed on a seven year fixed term contract of employment. The Director's contract is open ended. Early termination, other than for misconduct, would result in the Director receiving compensation as set out in the Civil Service Compensation Scheme.

The two Deputy Directors hold appointments, which are also open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Audited Information

Remuneration paid to the Director and Deputy Directors during the year was as follows – figures in the table are audited information, (comparative figures for the previous year's salaries are shown in brackets):

| Name | Salary £000 | Bonus payments £000 | Real increase in pension as at 31/3/10 and related lump sum £000 | Total accrued pension at age 60 at 31/3/11 and related lump sum £000 | CETV at 31/3/10 £000 | CETV at 31/3/11 £000 | Real increase in CETV £000 |
|---------------------------------------|----------------------|---------------------------|--|---|----------------------------|----------------------------|----------------------------------|
| Sandy Nairne <i>Director</i> | 110-115 (105-110) | Nil (5-10) | 0-2.5 | 35-40 | 607 | 683 | 13 |
| Pim Baxter <i>Deputy Director</i> | 70-75 (70-75) | Nil (Nil) | 0-2.5 Plus lump sum of 0-2.5 | 10-15 Plus lump sum of 30-35 | 230 | 258 | 10 |
| Jacob Simon <i>Deputy Director</i> | 70-75 (70-75) | Nil (Nil) | 0-2.5 Plus lump sum of 0-2.5 | 35-40 Plus lump sum of 105-110 | 751 | 764 | Nil |

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. None of the above mentioned senior staff received any benefits in kind in 2010/11 (none also in 2009/10).

The Trustees neither received nor waived any emoluments during the year (none in 2009/10). Expenses reimbursed or paid on behalf of one Trustee amounted to £359, all relating to travel and subsistence (in 2009/10, £521 for travel and subsistence of three Trustees).

Salary

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

The Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee and is composed of the members of the Audit and Compliance Committee (see page 23) and the Chairman of the Trustees. Once a year the Chairman leads a discussion on the Director's work, against the objectives agreed at the previous meeting of the Committee, in order to recommend to the Board the awarding of any performance related pay. The Director's bonus can be up to 15% of his annual salary, subject to performance against the agreed objectives for that period. Up to 1.5% of the bonus can be consolidated, although this may vary in line with guidance issued by H M Treasury from time to time.

The remuneration of the Director, Sandy Nairne, was £110,000, which was his contractually agreed annual salary. No bonus was awarded to him on this occasion, in recognition of the public sector pay freeze, although his performance was as good as previous years. In 2009/10 the remuneration of the Director, Sandy Nairne, was £106,549, and a non-consolidated bonus of £8,250.

The remuneration of the Deputy Directors is set out in their contracts and subject to the annual pay review framework for all staff. Their salary does not include any performance related pay or bonuses.

Pensions

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

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>.

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 taken.

Real increase in CETV

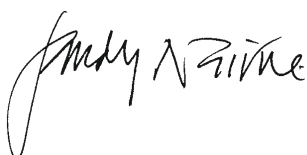
This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors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

Reporting of Civil Service and other compensation schemes - exit packages

Following consultation between HM Treasury and Government Departments the Gallery must now provide summary data on its use of exit packages, in addition to any details it might have disclosed about the individual packages for those senior staff covered by the Remuneration Report. It must show the number of exit packages according to cost band, analysed by the number of compulsory redundancies and the number of other departures agreed. This information relating to exit packages agreed in 2010/11 is provided in the table below, and is also audited information.

| Exit package cost band | Number of Compulsory Redundancies | Number of other departures agreed | Total number of packages by cost band |
|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| <£10,000 | - | 1 | 1 |
| £10,000 – 25,000 | - | 1 | 1 |
| Total number of exit packages | - | 2 | 2 |
| Total cost (£) | - | 18,738 | 18,738 |

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



Sandy Nairne
Accounting Officer
30 June 2011



Professor Sir David Cannadine
Chairman of Trustees
30 June 2011

THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2010 and 30 June 2011, the date on which the accounts were signed, the Trustees were:

Zeinab Badawi

Professor Dame Carol Black DBE

Sir Nicholas Blake *

Dr Rosalind P Blakesley

Professor Sir David Cannadine, FBA, FRSL (Chairman)

Dr Augustus Casely-Hayford*

The Marchioness of Douro OBE

Kim Evans OBE (from 11 October 2010)*

Dame Amelia Chilcott Fawcett DBE (Deputy Chairman) # ‡ (to 19 June 2011)

The Rt Hon The Lord Janvrin GCB GCVO QSO ‡

David Mach, RA (to 20 August 2010)

Mary McCartney (from 21 February 2011)

Sir William Proby Bt CBE DL

David Ross *

Professor Sara Selwood *(to 20 May 2010)

Marina Warner CBE FBA

ex officio

President of the Royal Academy of Arts – Sir Nicholas Grimshaw CBE PRA

Lord President of the Council – The Rt Hon Nick Clegg MP (from 11 May 2010)

* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Mr David Ross. Mr Stephen Souchon is co-opted on to the Audit and Compliance Committee to provide specialist accountancy knowledge (for a period of two years from June 2009).

Development Board members. The Chair of the Development Board is Dame Amelia Chilcott Fawcett DBE.

‡ Investment Committee members. The Chair of the Investment Committee is Dame Amelia Chilcott Fawcett DBE.

EXTERNAL ADVISERS

| | | |
|--------------------|--------------|---|
| Bankers: | Main: | National Westminster Bank 2a Charing Cross Road London WC2H 0PD |
| | Trust Funds: | Royal Bank of Scotland 49 Charing Cross London SW1A 2DX |
| External Auditors: | | Comptroller & Auditor General National Audit Office 157 Buckingham Palace Road London SW1W 9SP |
| | | Littlejohn LLP Chartered Accountants 1 Westferry Circus Canary Wharf London E14 4HD |

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

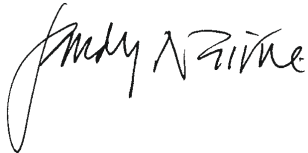
Michelmores LLP
Woodwater House
Pynes Hill
Exeter
Devon EX2 5WR

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2010/11. The audit fee in respect of this work was £29,000 (£26,000 in 2009/10). During the year Littlejohn LLP replaced Baker Tilly UK Audit LLP as the auditors of the Company, following the expiry of the three year contract for external audit services with Baker Tilly. The audit fee in respect of their work was £8,470 (£8,800 in 2009/10 for Baker Tilly).

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

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

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



Sandy Nairne
Accounting Officer
30 June 2011



Professor Sir David Cannadine
Chairman of Trustees
30 June 2011

PERFORMANCE AGAINST 2010/11 FUNDING AGREEMENT INDICATORS

The Gallery's Funding Agreement with the Department for Culture, Media & Sport contains 21 separate performance indicators. Seventeen of the indicators are stipulated by the Department, with a further 4 chosen by the Gallery. The table below includes the 17 indicators stipulated by DCMS, and 2 of the 4 chosen by the Gallery. (Of the remaining two indicators, one relates to attendance numbers at specific exhibitions and this is disclosed in the 'Extending and broadening audiences' section of the Trustees and Accounting Officer's Annual Report; the other is a more detailed indicator than that stipulated by DCMS and is disclosed in the table instead). Some of the indicators continue from previous Funding Agreements, and where this is the case, prior year comparators have been provided. These indicators are reviewed annually and revised where appropriate. Summarised performance is given below and further reference within the relevant context is made within the Annual Report.

| Core target | Note | 2004/05 Actual | 2005/06 Actual | 2006/07 Actual | 2007/08 Actual | 2008/09 Actual | 2009/10 Actual | 2010/11 Actual |
|---|------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total number of visits to the Gallery excluding virtual visits (000s) | 1 | 1,469 | 1,529 | 1,665 | 1,646 | 1,834 | 1,984 | 1,758 |
| Number of unique users visiting the website (000s) | | 4,543 | 7,300 | 9,888 | 14,869 | *15,546 | 12,205 | 13,725 |
| Number of visits to the Gallery by children aged 15 or under (000s) | | 93 | 81 | 85 | 151 | *173 | 157 | 118 |
| Number of visits to the Gallery by adult UK visitors (aged 16 or over) from NS-SEC groups 5-8 (000s) | 2 | 142 | 75 | 107 | 82 | *114 | 189 | 125 |
| Number of visits to the Gallery by adult UK visitors (aged 16 or over) from BAME background (000s) | 3 | 88 | 61 | 83 | 165 | *263 | 200 | 184 |
| Number of visits to the Gallery by adult UK visitors (aged 16 or over) who consider themselves as disabled (000s) | 3 | - | - | - | 66 | *89 | 37 | 35 |
| Number of overseas visits (000s) | 3 | 308 | 398 | 500 | 560 | 680 | 712 | 612 |
| Number of facilitated and self-directed visits to the Gallery by children aged 15 and under (000s) | 3 | - | - | - | 38 | *43 | 37 | 34 |
| Number of instances of children aged 15 and under participating in on-site organised educational sessions (000s) | 3 | - | - | - | 15 | *4 | 4 | 5 |
| Number of instances of children aged 15 and under participating in outreach activity outside the Gallery (000s) | 4 | - | - | - | 4 | *4 | 5 | 5 |
| Number of instances of adults aged 16 and over participating in on-site organised activities (000s) | 3 | - | - | - | 43 | *35 | 32 | 43 |
| Number of instances of adults aged 16 and over participating in outreach activities outside the Gallery (000s) | 3 | - | - | - | 1 | 1.2 | 1 | 1 |

| | | | | | | | | |
|--|---|-------|--------|--------|-------|--------|-------|-------|
| % of visitors who would recommend a visit | 7 | 99 | 99 | 97 | 99 | 98 | 99 | 93 |
| Profit from trading company (£000) | 5 | - | - | n/a | 509 | 449 | 444 | 406 |
| Income from Exhibition Admissions and touring (£000) | 3 | 677 | 842 | 1,504 | 1,324 | 2,063 | 1,716 | 990 |
| Income from fundraising (£000) | 6 | 1,360 | 2,491 | 2,788 | 4,117 | 5,195 | 4,014 | 2,148 |
| Total expenditure on exhibitions | 3 | 815* | 1,124* | 1,159* | 1,114 | 1,336* | 1,270 | 1,172 |
| Number of UK loan venues | 3 | 90 | 42 | 47 | 57 | *108 | 165 | 133 |
| Number of new acquisitions | 3 | 95 | 93 | 81 | 200 | 32 | 57 | 153 |

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

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

Note 2: Introduced in the 2003 to 2006 Funding Agreement; prior to 2005/06, numbers represent C2Des.

Note 3: Introduced in the 2008 to 2011 Funding Agreement.

Note 4: Introduced in the 2003 to 2006 Funding Agreement.

Note 5: Introduced in the 2008 to 2011 Funding Agreement (not applicable prior to 2007/08).

Note 6: Introduced in the 2008 to 2011 Funding Agreement and equates to Voluntary Income as expressed in the Statement of Financial Activities. (Statistic not available prior to 2004/05).

Note 7: Introduced in the 2008 to 2011 Funding Agreement and equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery. (Statistic not available prior to 2006/07).

(It has not been possible in all cases to provide statistics for years prior to 2008/09 for the performance indicators introduced in the 2008/11 Funding Agreement. Where these statistics are readily available, they have been included).


STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

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

In preparing the National Portrait Gallery's accounts the Board of Trustees is required to:

- observe the Accounts Direction* issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Gallery will continue in operation.

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



Sandy Nairne
Accounting Officer
30 June 2011



Professor Sir David Cannadine
Chairman of Trustees
30 June 2011

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer and Chair of Trustees (as representative of the Board of Trustees), we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Portrait Gallery's policies, aims and objectives, whilst safeguarding the public funds and Gallery assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money* and ensuring compliance with the requirements of the Gallery's Management Statement and Financial Memorandum.

This year was the final year of the Gallery's 2008/11 three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport. The Funding Agreement includes performance indicators to assist the Department in monitoring performance annually and identifies the most significant risks to achieving the Gallery's objectives.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Gallery's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Gallery for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

As Accounting Officer and Chair of Trustees we have overall joint responsibility for the Gallery's risk management framework. The Planning Team, with facilitation from the Head of Finance and Planning and feedback from Internal Audit, co-ordinates the management of risk within the Gallery's departments and ensures that the Gallery's Corporate Risk Register is kept up-to-date; this is supplemented by risk assessments and monitoring by project managers for cross-departmental projects. The Gallery has a Risk Management Policy which is reviewed and updated regularly, and which is available to all staff on the Gallery's IT network.

4. The risk and control framework

Risk management has been embedded within the organisation through the business planning and project management procedures. These procedures ensure that risks to achieving business plan activities are identified and are managed by having risk as a standing item on project team agendas.

The Planning Team identifies new risks and on an ongoing basis notifies the Head of Finance and Planning, who maintains the Gallery's Corporate Risk Register, which includes the Gallery's most significant risks. During the period the most significant risks were the uncertain economic climate and the cuts in public funding arising from the Comprehensive Spending Review. The significant risks in future years are considered to be the impact of inflation on the Gallery's cost base, its need to have unrestricted access to its reserves and the risk of civil unrest leading up to and during the 2012 Olympic Games, due to the Gallery's geographical location.

Quarterly, the Planning Team re-evaluates the risks on this register, based on their potential impact and likelihood of occurrence. The evaluation is biased towards impact, which takes account of factors such as the risk's financial consequences, its impact on the reputation of the Gallery and how long lasting the effects would be. In addition, the Planning Team provides updates on any necessary action taken in the previous quarter to strengthen controls in order to manage risks to within an acceptable level.

The Audit and Compliance Committee reviews quarterly the Corporate Risk Register and progress in implementing any further action required to strengthen controls. The Chair of the Audit and Compliance Committee provides quarterly updates to the Board of Trustees on the effectiveness of risk management.

The Audit and Compliance Committee also reviews, on a sample basis, the Departmental Risk Registers which underpin the Corporate Risk Register, to ensure significant risks in Gallery departments are included in the Corporate Risk Register. Risks are arranged in the Corporate and Departmental Risk Registers according to the Corporate Objective that they impact on.

Each risk is allocated a risk rating based on an evaluation of its impact and likelihood. This rating is then compared to the risk appetite, which establishes an acceptable level of risk for a particular business activity. If the controls are judged to be inadequate to manage risk to within the risk appetite, then further action is identified to strengthen these controls. The Audit and Compliance Committee concentrates on those risks which require this further action and monitors progress in implementing the improvements.

Annually the Board of Trustees reviews the Gallery's risk appetite and the risk evaluation criteria in order to ensure that they remain relevant and appropriate.

During the year the Gallery undertook the following actions to improve its internal controls in order to mitigate risk in these areas:

- *Governance and management effectiveness* – a series of risk management workshops was undertaken by the Head of Finance and Planning to assist each Gallery department to review and update their Departmental Risk Registers. This provides an opportunity to train and familiarise key staff in the Gallery's risk management processes.
- *To develop the Collection* – the Gallery moved its collections from its commercially rented store in Merton to the Tate store in Southwark, which provides a higher quality, more secure, up-to-date and purpose built storage facility for its collection.
- *To increase the understanding of and engagement with the Collection* – improvement of guidance provided to the judges of the Gallery's two portrait competitions.
- *To maximize the financial resources* – the Gallery prepared an Investment Strategy and appointed investment advisors to maximise returns from its reserves.
- *To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards* – work continued to improve the Gallery's IT network and web security, continuing to restructure the storage of the network's data, in order to reduce the risk of a major network failure. The replacement of the Gallery's aged telephone system was completed. The Gallery prepared a more detailed fixed asset register and fixed asset management policy to improve the stewardship of its assets. A new project management framework was also drafted and further project management training was undertaken with key managers. The revised framework will be published in the new financial year.

5. Managing Information Risk

Information security risk in the Gallery is managed through its Data Protection Policy and Information Security Policy, in which all new staff are inducted. The Information Security Policy was published in 2010 and replaced an earlier IT Security Policy. The Policy was prepared in response to the Cabinet Office's Security Policy Framework, and included guidance in areas such as remote working which had not been covered in the old IT Security Policy. Gallery staff attended mandatory training sessions on the new Information Security Policy, and the Gallery also continued with compulsory data protection training for all staff. During the year the Data Protection Policy was reviewed and updated.

The National Portrait Gallery has suffered no protected personal data incidents in 2010/11 and has made no such report to the Information Commissioner's Office.

6. Review of effectiveness

As Accounting Officer and Chair of Trustees, we have joint responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the:

- Planning Team;
- Audit and Compliance Committee;
- Internal Audit;
- Senior managers within the Gallery, who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the external auditors in their management letter and other reports.

The *Planning Team* reports on the effectiveness of risk management and the Gallery's system of internal controls to the Accounting Officer who reports to the Audit and Compliance Committee four times each year.

The *Chair of the Audit and Compliance Committee* reports to the Board of Trustees:

- annually, for its approval on the effectiveness of risk management and the Gallery's system of internal controls;
- quarterly, to provide updates on progress against action points on the risk register; and
- as required for emerging issues related to risk management.

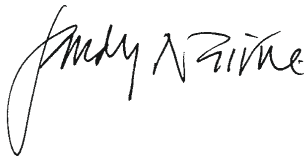
The *Head of Internal Audit* issues an annual report to the Accounting Officer, which includes his/her opinion of risk management in the Gallery and a statement of assurance on internal control. The annual report provided the Accounting Officer with reasonable assurance on the effectiveness of the Gallery's risk management, control and governance processes reviewed as part of the 2010/11 internal audit plan.

Budget Holders provide the Accounting Officer with an annual assurance statement.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

7. Significant internal control problems

No significant weaknesses were identified in the annual Internal Audit report to the Accounting Officer and the Audit & Compliance Committee.



Sandy Nairne
Accounting Officer
30 June 2011



Professor Sir David Cannadine
Chair of Trustees
30 June 2011

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 Portrait Gallery for the year ended 31 March 2011 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Gallery Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board of Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Board of Trustees and 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 Portrait Gallery's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions 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 Portrait Gallery's and the group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- 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 HM Treasury directions made under the Museums and Galleries Act 1992; and
- the information given in Structure, Governance and Management; Activities, Performance and Planned Future Objectives; the Financial Review; and the Board of Trustees and Professional Advisers 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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
151 Buckingham Palace Road
Victoria
London SW1W 9SS
13 July 2011

**CONSOLIDATED STATEMENT OF FINANCIAL
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2011**

| | Notes | Unrestricted Funds £000 | Restricted Funds £000 | Total 2011 £000 | Total 2010 £000 Restated* |
|---|-------|-------------------------------|-----------------------------|--------------------|---------------------------------|
| INCOMING RESOURCES | | | | | |
| Grant in Aid | 2a | 7,446 | 131 | 7,577 | 7,744 |
| Incoming resources from generated funds | | | | | |
| Voluntary Income | 2b | 670 | 1,478 | 2,148 | 4,014 |
| Activities for generating funds | 2c | 2,736 | - | 2,736 | 3,270 |
| Investment income | 3 | 52 | 17 | 69 | 84 |
| Incoming resources from charitable activities | | | | | |
| Exhibitions admissions and touring income | | 990 | - | 990 | 1,716 |
| Exhibition and programme sponsorship income | | 425 | - | 425 | 854 |
| Learning and access income | | 51 | - | 51 | 53 |
| Other income | | 296 | - | 296 | 209 |
| Total incoming resources | | 12,666 | 1,626 | 14,292 | 17,944 |
| RESOURCES EXPENDED | | | | | |
| Costs of generating funds | | | | | |
| Costs of generating voluntary income | 5 | 577 | 10 | 587 | 663 |
| Fundraising trading: cost of goods sold and other costs | 5 | 2,422 | 19 | 2,441 | 2,758 |
| Investment management costs | 5 | 1 | 3 | 4 | - |
| Total costs of generating funds | | 3,000 | 32 | 3,032 | 3,421 |
| Resources expended on charitable activities | | | | | |
| Extending and broadening audiences | 5 | 2,528 | 834 | 3,362 | 3,360 |
| Developing the Collection | 5 | 4,152 | 176 | 4,328 | 4,305 |
| Increasing understanding and engagement with the Collection | 5 | 5,265 | 741 | 6,006 | 5,722 |
| Governance costs | 5 | 122 | 10 | 132 | 151 |
| Total Resources expended | | 15,067 | 1,793 | 16,860 | 16,959 |
| Net (outgoing)/incoming resources for the year before transfers | | (2,401) | (167) | (2,568) | 985 |
| Transfers between funds in year | 13 | (219) | 219 | - | - |
| Net incoming resources for the year before other recognised gains and losses | | (2,620) | 52 | (2,568) | 985 |
| Gains on investments | 8 | 40 | 127 | 167 | 4 |
| (Losses)/Gains on revaluation of fixed assets for charity's own use | 6&13 | (117) | 1,546 | 1,429 | (346) |
| Net movement in funds | | (2,697) | 1,725 | (972) | 643 |
| Fund balances brought forward at 1 April | | 16,135 | 54,337 | 70,472 | 69,829 |
| Fund balances carried forward at 31st March | | 13,438 | 56,062 | 69,500 | 70,472 |

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

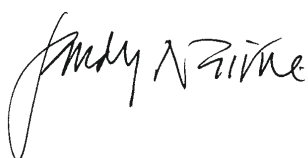
* See Note 1(m).

The notes on pages 34 to 55 form part of these accounts.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2011

| | Notes | £000 | 2011 £000 | 2010 £000 |
|---|-------|---------------|---------------|---------------|
| Fixed Assets | | | | |
| Tangible assets | 6 | | 48,035 | 48,454 |
| Heritage Assets | 7 | | 11,085 | 10,556 |
| Available for Sale Financial Assets - Investments | 8 | | <u>2,136</u> | <u>35</u> |
| | | | 61,256 | 59,045 |
| Current Assets | | | | |
| Stock | 11 | 241 | | 270 |
| Debtors and prepayments | 10 | 580 | | 1,024 |
| Available for Sale Financial Assets - Investments | 8 | 5,622 | | - |
| Cash at bank and in hand | 9 | <u>3,657</u> | | <u>11,855</u> |
| | | 10,100 | | 13,149 |
| Current Liabilities | | | | |
| Creditors (amounts falling due within one year) | 12 | <u>1,811</u> | | <u>1,722</u> |
| Net Current Assets | | | 8,289 | 11,427 |
| Long Term Liabilities | | | | |
| Creditors (amounts falling due after one year) | 12 | | <u>45</u> | - |
| Net Assets | | | 69,500 | 70,472 |
| Represented by: | | | | |
| Restricted Funds | | | | |
| | 13 | | 56,062 | 54,337 |
| Unrestricted Funds | | | | |
| Designated funds | 13 | | 13,188 | 15,885 |
| General funds | 13 | | 250 | 250 |
| Total Funds | | | 69,500 | 70,472 |

The notes on pages 34 to 55 form part of these accounts.



Sandy Nairne
Accounting Officer
30 June 2011

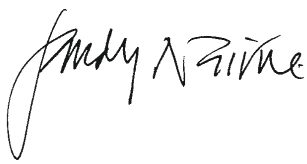


Professor Sir David Cannadine
Chairman of Trustees
30 June 2011

**GALLERY BALANCE SHEET
AS AT 31 MARCH 2011**

| | Notes | £000 | 2011 £000 | 2010 £000 |
|---|-------|--------------|----------------------|---------------|
| Fixed Assets | | | | |
| Tangible assets | 6 | | 48,035 | 48,454 |
| Heritage Assets | 6 | | 11,085 | 10,556 |
| Available for Sale Financial Assets - Investments | 8 | | <u>2,136</u> | <u>35</u> |
| | | | 61,256 | 59,045 |
| Current Assets | | | | |
| Stock | 11 | 100 | | 142 |
| Debtors and prepayments | 10 | 967 | | 1,537 |
| Available for Sale Financial Assets - Investments | 8 | 5,622 | | - |
| Cash at bank and in hand | | | <u>3,373</u> | <u>11,404</u> |
| | | | 10,062 | 13,083 |
| Current Liabilities | | | | |
| Creditors (amounts falling due within one year) | 12 | | <u>1,773</u> | <u>1,656</u> |
| Net Current Assets | | | | |
| | | | 8,289 | 11,427 |
| Long Term Liabilities | | | | |
| Creditors (amounts falling due after one year) | 12 | | 45 | - |
| Net Assets | | | | |
| | | | <u>69,500</u> | <u>70,472</u> |
| Represented by: | | | | |
| Restricted Funds | | | | |
| | 13 | | 56,062 | 54,337 |
| Unrestricted Funds | | | | |
| Designated funds | 13 | | 13,188 | 15,885 |
| General funds | 13 | | 250 | 250 |
| Total Funds | | | | |
| | | | <u>69,500</u> | <u>70,472</u> |

The notes on pages 34 to 55 form part of these accounts.



Sandy Nairne
Accounting Officer
30 June 2011



Professor Sir David Cannadine
Chairman of Trustees
30 June 2011

CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 MARCH 2011

| | Note | 2011 £000 | 2010 £000 |
|---|-------|-----------------------|---------------------|
| Net cash (outflow)/inflow from operating activities | 19(a) | (50) | 2,150 |
| Capital expenditure and financial investment | 19(b) | (661) | (726) |
| Management of liquid resources | 19(b) | (7,556) | - |
| Return on investments and servicing of finance | 19(b) | 69 | 84 |
| (Decrease)/Increase in cash in the year | | <u>(8,198)</u> | <u>1,508</u> |

The notes on pages 34 to 55 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

a) *Basis of accounting*

The accounts have been prepared under the historic cost convention modified to include the revaluation of land and buildings and required valuation methods for financial instruments. The accounts comply with the Statement of Recommended Practice 2005, Accounting and Reporting by Charities, applicable accounting standards and the Accounts Direction issued by the Department for Culture, Media and Sport. The accounts include the Grant-in-Aid account and two trust funds (established by the Gallery under Deeds of Trust) administered by the Gallery (the Dame Helen Gardner bequest and the Portrait Fund) and exclude the American Friends of the National Portrait Gallery (London) Foundation Inc, a US grant-giving organisation with 501 (c) (3) tax status, over which the Gallery has no direct control. The Gallery is recognised as an exempt charity under the provisions of the Charities Act 1993.

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

b) *Incoming resources*

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

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

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

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

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

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

c) *Expenditure*

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

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

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

1. ACCOUNTING POLICIES (continued)**d) Fund accounting**

Unrestricted funds:

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

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

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

e) Heritage assets

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

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

f) Tangible fixed assets

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

Land and buildings are professionally valued every five years; the last such valuation was undertaken as at 31 March 2009. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, National Statistical and other appropriate indices are used to adjust the net book value of the assets. In 2010/11 a valuation provided by BNP Paribas Real Estate was used to value Gallery land. The buildings were valued according to indices provided from the Department for Business, Innovation and Skills Price Tender Index for Public Sector Buildings (Non Housing), and National Statistics were used to value Gallery plant and machinery. Assets other than land, buildings, plant and machinery are accounted for on a depreciated historical cost basis, these assets are either of low value or have short lives, therefore the impact of applying indexation would not be material. Impairment reviews are carried out at the end of each reporting period, in accordance with FRS11, to ensure that the carrying values of the assets reflect the recoverable amounts.

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

Indicative asset lives are as follows:

| | |
|------------------------------|-----------------|
| Freehold buildings | 20 - 70 years |
| Leasehold land and buildings | length of lease |
| Leasehold land and buildings | 10 - 30 years |
| Plant and machinery | 10 - 15 years |
| Furniture and equipment | 4 - 10 years |

1. ACCOUNTING POLICIES (continued)

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

g) *Financial Instruments*

Financial Assets

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

i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method. Loans and receivables consist of trade and other debtors, and a loan provided by the Gallery to its wholly owned subsidiary company, the National Portrait Gallery Company Limited. Further disclosure is provided about the loan in Note 10.

ii. Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

Financial liabilities

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

h) *Stock*

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

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

1. ACCOUNTING POLICIES (continued)i) *Leases*

The Gallery has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

j) *Foreign currencies*

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

k) *Pension costs*

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

l) *Governance costs*

Internal and external audit fees, costs of Trustees meetings, planning costs and an allocation of the Head of Finance and Planning's salary are categorised as Governance costs.

m) *Notional cost of capital*

Until 2010-11, HM Treasury required the Gallery to include in these financial statements a notional cost of capital charge. This requirement has been removed and this change of accounting policy has been reflected as a prior year adjustment to the SOFA. The balance sheet is unaffected by this amendment.

| 2a. GRANT IN AID | Unrestricted Funds £000 | Restricted Funds £000 | Total 2011 £000 | Total 2010 £000 |
|------------------------------------|-------------------------------|-----------------------------|--------------------------------|-----------------------|
| Running costs | 7,402 | - | 7,402 | 7,244 |
| Capital costs | 44 | 131 | 175 | 500 |
| | | | 7,577 | 7,744 |
| Comprising: Request for resource 1 | | | 7,577 | 7,744 |

£7,577,000 of Grant-in-Aid was received during the year (£7,744,000 in 2009/10).

This money is available for running costs, capital improvements and collection purchases; of this, £119,000 was utilised by the Gallery towards Primary Collection acquisitions.

| 2b. VOLUNTARY INCOME | Unrestricted Funds £000 | Restricted Funds £000 | Total 2011 £000 | Total 2010 £000 Restated |
|-----------------------------|-------------------------------|-----------------------------|--------------------------------|-----------------------------------|
| Fundraising dinners | 67 | - | 67 | 45 |
| Individual giving | 406 | - | 406 | 429 |
| Grants and donations | 112 | 983 | 1,095 | 1,538 |
| Donated acquisitions | - | 368 | 368 | 714 |
| Donations for acquisitions | - | 127 | 127 | 1,278 |
| Legacies | 66 | - | 66 | - |
| Other fundraising income | 19 | - | 19 | 10 |
| | 670 | 1,478 | 2,148 | 4,014 |

Income from Associates has been reclassified from Other fundraising income to Individual Giving and the 2010 figure has been restated to reflect this.

| 2c. Activities for generating funds | Unrestricted Funds £000 | Restricted Funds £000 | Total 2011 £000 | Total 2010 £000 |
|--|-------------------------------|-----------------------------|--------------------------------|-----------------------|
| Corporate members | 103 | - | 103 | 121 |
| Publications | 249 | - | 249 | 532 |
| Picture Library | 342 | - | 342 | 316 |
| Trading income | | | | |
| Gallery hire | 244 | - | 244 | 237 |
| Retail | 1,380 | - | 1,380 | 1,731 |
| Catering franchise | 418 | - | 418 | 333 |
| | 2,736 | - | 2,736 | 3,270 |

3. INVESTMENT INCOME

| | 2011 £000 | 2010 £000 |
|----------------------|----------------------|--------------|
| Bank interest | 67 | 82 |
| Investment dividends | 2 | 2 |
| | 69 | 84 |

4. NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS

| is stated after charging: | 2011 £000 | 2010 £000 |
|---|----------------------|--------------|
| a) External auditors' remuneration | | |
| National Audit Office | 29 | |
| Littlejohn LLP | 8 | 35 |
| b) Internal auditors' remuneration | 18 | 26 |
| c) Operating lease rentals on land and buildings | 67 | 66 |
| d) Operating lease rental on fixtures & equipment | 9 | 9 |
| e) Depreciation | 2,214 | 2,204 |
| f) Loss on disposal of fixed assets | 129 | 2 |

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

5. TOTAL RESOURCES EXPENDED

| | Direct costs | Allocated support costs | 2011 Total | 2010 Total |
|--|---------------|-------------------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Costs of generating funds | | | | |
| Costs of generating voluntary income | 428 | 159 | 587 | 663 |
| Fundraising trading: cost of goods sold and other costs | | | | |
| Charitable trading | 976 | 194 | 1,170 | 1,371 |
| Non-charitable trading | 1,003 | 268 | 1,271 | 1,387 |
| Total costs of fundraising trading | 1,979 | 462 | 2,441 | 2,758 |
| Investment management costs | 4 | - | 4 | |
| Extending and broadening audiences | | | | |
| Publicity and information | 1,173 | 54 | 1,227 | 1,258 |
| National programme | 215 | 27 | 242 | 264 |
| Learning and access | 1,156 | 737 | 1,893 | 1,838 |
| | 2,544 | 818 | 3,362 | 3,360 |
| Developing the Collection | | | | |
| Collection management | 3,110 | 1,218 | 4,328 | 4,305 |
| Increasing understanding and engagement with the Collection | | | | |
| Research and documentation | 1,224 | 744 | 1,968 | 2,168 |
| Exhibitions and display | 1,898 | 2,140 | 4,038 | 3,554 |
| | 3,122 | 2,884 | 6,006 | 5,722 |
| Governance costs | 77 | 55 | 132 | 151 |
| | 11,264 | 5,596 | 16,860 | 16,959 |

ALLOCATION OF SUPPORT COSTS

| | Directorate & Office Services | Personnel | Finance & Planning | IT & Communications | Facilities Management | Depreciation | Support Salary costs | Total 2011 | Total 2010 |
|--|-------------------------------|------------|--------------------|---------------------|-----------------------|--------------|----------------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Costs of generating voluntary income | 11 | 9 | - | 22 | 15 | 24 | 78 | 159 | 209 |
| Charitable trading | 12 | 9 | (1) | 23 | 27 | 42 | 82 | 194 | 242 |
| Non-charitable trading | 2 | 10 | 6 | 14 | 73 | - | 163 | 268 | 294 |
| Investment management costs | - | - | - | - | - | - | - | - | - |
| Costs of generating funds | 25 | 28 | 5 | 59 | 115 | 66 | 323 | 621 | 745 |
| Publicity and information | 4 | 2 | (1) | 5 | 11 | 15 | 18 | 54 | 61 |
| National programme | 3 | 1 | - | 3 | 3 | 5 | 12 | 27 | 34 |
| Learning and access | 14 | 11 | (1) | 29 | 213 | 368 | 103 | 737 | 739 |
| Extending and broadening audiences | 21 | 14 | (2) | 37 | 227 | 388 | 133 | 818 | 834 |
| Collection management | 5 | 63 | (2) | 8 | 215 | 362 | 567 | 1,218 | 1,330 |
| Developing the Collection | 5 | 63 | (2) | 8 | 215 | 362 | 567 | 1,218 | 1,330 |
| Research and documentation | 23 | 19 | (1) | 49 | 176 | 303 | 175 | 744 | 847 |
| Exhibitions and display | 22 | 19 | (1) | 47 | 688 | 1,196 | 169 | 2,140 | 2,022 |
| Increasing understanding and engagement with the Collection | 45 | 38 | (2) | 96 | 864 | 1,499 | 344 | 2,884 | 2,869 |
| Governance costs | 2 | 1 | - | 2 | 16 | 28 | 6 | 55 | 68 |
| Total | 98 | 144 | (1) | 202 | 1,437 | 2,343 | 1,373 | 5,596 | 5,846 |

The figure for depreciation includes a loss on disposal of fixed assets of £130,000.

BASIS OF ALLOCATION OF SUPPORT COSTS

Support costs have been allocated across activities as follows:

Directorate: equally across departments

Personnel, salary costs: per capita

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

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

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

| GOVERNANCE COSTS | 2011 | 2010 |
|---------------------------------|-----------|-----------|
| | £000 | £000 |
| Breakdown of direct costs | | |
| Trustees' meetings and expenses | 3 | 3 |
| Internal Audit | 18 | 26 |
| External Audit | 29 | 26 |
| Finance and Planning costs | 27 | 28 |
| | 77 | 83 |

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

5. TOTAL RESOURCES EXPENDED (continued)

| a) Staff costs | 2011 | 2010 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Staff costs during the year amounted to: | | |
| Wages and salaries | 7,389 | 7,230 |
| National Insurance | 513 | 510 |
| Pension | 1,145 | 1,077 |
| | <u>9,047</u> | <u>8,817</u> |
| Of which staff costs capitalised for digitising the Collection: | 56 | 34 |

The Company does not employ any staff directly and uses staff seconded from the Gallery. The costs of the staff were recharged to the Company. In 2010/11, the value of the seconded staff costs was £510,175 (£492,000 in 2009/10) which was equivalent to 20.5 full time staff (20.5 in 2009/10).

The Trustees neither received nor waived any emoluments during the year (also in 2009/10). Expenses reimbursed or paid on behalf of one Trustee amounted to £359, relating to travel and subsistence (in 2009/10, £521 for travel and subsistence of three Trustees).

Pensions

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

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

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

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

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the National Portrait Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions). For 2010/11, employers' contributions of £1,123,619 were payable to the PCSPS (2009/10 £1,056,347) at one of four rates in the range 16.7% to 24.3% (2009/10 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £21,352 (£20,434 in 2009/10) 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. Within the amount paid to the PCSPS, employer contributions of £1,702 (£1,692 in 2009/10), 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 £2,122 (2009/10 £2,206). There were no contributions prepaid at that date.

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

Numbers of Employees

The number of employees, comprising the Director and 4 other members of the Senior Management Team (4 in 2009/10) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

| | 2011 | 2010 |
|---------------------|-------------|------|
| £60,001 - £70,000 | 2 | 2 |
| £70,001 - £80,000 | 2 | 2 |
| £110,001 - £120,000 | 1 | 1 |

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

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

| | 2011 | | 2010 | |
|--|-------------------|------------------|-------------------|-------------------|
| | Permanent staff | Temporary staff | Number | Number |
| Costs of generating voluntary income | 13 | - | 13 | 14 |
| Charitable trading | 14 | - | 14 | 15 |
| Non-charitable trading | 17 | - | 17 | 16 |
| Extending and broadening audiences | | | | |
| Publicity and information | 3 | - | 3 | 3 |
| National programme | 2 | - | 2 | 2 |
| Learning and access | 16 | 1 | 17 | 15 |
| Developing the Collection | | | | |
| Collection management | 75 | 19 | 94 | 92 |
| Increasing understanding and engagement with the Collection | | | | |
| Research and documentation | 28 | 1 | 29 | 32 |
| Exhibitions and display | 28 | - | 28 | 18 |
| Governance | 1 | - | 1 | 2 |
| Support | 31 | 1 | 32 | 35 |
| | <u>228</u> | <u>22</u> | <u>250</u> | <u>244</u> |

As at 31 March 2011, 41 staff had season ticket and training loans outstanding worth a total of £48,672 included in Other Debtors (2009/10 57 staff had loans totalling £53,187).

6. TANGIBLE FIXED ASSETS

| | Land and buildings £000 | Plant and machinery £000 | Furniture & equipment £000 | Total tangible assets £000 |
|---------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Valuation/cost at 1 April 2010 | 38,591 | 11,176 | 2,217 | 51,984 |
| Additions | - | 218 | 277 | 495 |
| Disposals | - | (133) | (213) | (346) |
| Revaluation adjustment | 1,590 | (129) | - | 1,461 |
| Transfer of assets | - | - | - | - |
| Valuation/cost at 31 March 2011 | <u>40,181</u> | <u>11,132</u> | <u>2,281</u> | <u>53,594</u> |
| Depreciation at 1 April 2010 | 789 | 1,100 | 1,641 | 3,530 |
| Disposals | - | (12) | (205) | (217) |
| Depreciation | 876 | 1,012 | 326 | 2,214 |
| Revaluation adjustment | 44 | (12) | - | 32 |
| Depreciation at 31 March 2011 | <u>1,709</u> | <u>2,088</u> | <u>1,762</u> | <u>5,559</u> |
| Net book value at 31 March 2011 | <u>38,472</u> | <u>9,044</u> | <u>519</u> | <u>48,035</u> |
| Net book value at 31 March 2010 | <u>37,802</u> | <u>10,076</u> | <u>576</u> | <u>48,454</u> |

Tangible fixed assets relate to the Gallery. The Company has no fixed assets. £207,000 of furniture and equipment disposals relate to the removal from the accounts of fully written down and out of use assets.

The net book value at 31 March 2011 represents fixed assets for:

| | Land & buildings £000 | Plant & Machinery £000 | Furniture & equipment £000 | Total £000 |
|-----------------------|-----------------------------|------------------------------|----------------------------------|---------------|
| Charitable activities | 34,831 | 8,188 | 470 | 43,489 |
| Other activities | 3,641 | 856 | 49 | 4,546 |
| Total | <u>38,472</u> | <u>9,044</u> | <u>519</u> | <u>48,035</u> |

All the Gallery's land and buildings were revalued in accordance with the RICS Valuation Standards (the "Red Book") by the firm of chartered surveyors, Atisreal UK, at 31 March 2009, at which time they were valued at £40.1 million (excluding plant and machinery, which was valued at £9.8 million, and this excluded the value of plant and machinery at the Merton store). In accordance with HM Treasury guidance, all other assets have been valued on a depreciated historical cost basis.

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

St Martin's Place: The main Gallery at St. Martin's Place was transferred from ('vested by') the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994, although title was not registered to the Trustees until 7 June 1994. The main Gallery was brought into the books in 1994 at a net book value of £43.7million and was revalued at 31 March 2009 on a depreciated replacement cost of £43.1million (including plant and machinery). The current value is £44.1 million (including plant and machinery).

Orange Street and Charing Cross Road: The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed as part of the Gallery Development Plan to provide new accommodation for the archives and gallery administration. The buildings were occupied from October 1993, and were brought into the balance sheet as at 31 March 1994 at a value of £9.1 million (including plant and machinery). These properties were revalued at 31 March 2009 on an existing use basis at £6.8million (including plant and machinery), with an allowance to reflect the restrictions described. The current value is £6.9 million (including plant and machinery).

Merton store: Land and buildings used for storage at Merton are held on an operating lease and these assets have not been capitalised. The Merton store lease was originally for a five year term which expired in May 2009. At the end of this term the lease was renewed for a further period of 30 months up until 30 November 2011, with a break clause which could be exercised at 31 May 2011. The shorter lease was taken at that point as management were contemplating alternative options for Collection storage. In February 2011 the Merton store was vacated and the Gallery's collections held at the store were moved to a shared store with Tate. As at 31 March 2011 dilapidations work was underway at the Merton store with the intention of exercising the early break clause in the lease and terminating the lease on 31 May 2011. The Gallery's plant and machinery at this property were valued at 31 March 2004 at £0.47million at existing use. The plant and machinery was excluded from the 2008/09 valuation in recognition of the imminent expiry of the lease, and also in recognition that management were considering other storage options and had decided to renew the Merton lease on a short term basis. The value of the plant and machinery has been written down to reflect the early termination of the lease on 31 May 2011.

The net book value of land and buildings relates to:

| | £000 |
|---|---------------|
| Freehold | 37,670 |
| Long term lease (greater than 50 years) | 802 |
| Short term lease (less than 50 years) | - |
| | <u>38,472</u> |

7. HERITAGE ASSETS

| | Assets reported at Cost | | | Assets reported at Valuation | | | Total £000 |
|---------------------------------|-------------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|---------------|
| | Primary £000 | Reference £000 | Photographs £000 | Primary £000 | Reference £000 | Photographs £000 | |
| Valuation/cost at 1 April 2010 | 8,283 | 38 | 403 | 1,679 | 35 | 118 | 10,556 |
| Additions | 114 | - | 47 | 333 | - | 35 | 529 |
| Valuation/cost at 31 March 2011 | 8,397 | 38 | 450 | 2,012 | 35 | 153 | 11,085 |

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

There were no disposals or impairments of heritage assets in the period.

Additions in the year comprise:

Primary Collection

| | | |
|---|---------|---|
| £ | 114,000 | purchases of portraits – paintings, sculptures and photographs. |
| £ | 333,000 | donations of paintings, sculptures and photographs. |

Reference Collection

| | | |
|---|---|--|
| £ | - | purchases of prints, drawings, paintings and sculptures. |
| £ | - | donations of prints, drawings, paintings and sculptures. |

Photographs Collection

| | | |
|---|--------|---|
| £ | 47,000 | purchases of photographs and historic negatives. |
| £ | 35,000 | donations of purchases of photographs and historic negatives. |

Summary of Heritage asset transactions

| | 2011 £000 | 2010 £000 | £000 | £000 | £000 | £000 |
|------------------|--------------|--------------|--------------|------------|--------------|--------------|
| Purchased assets | 161 | 340 | 1,919 | 710 | 1,920 | 627 |
| Donated assets | 368 | 714 | 112 | 143 | 71 | 422 |
| Total | 529 | 1,054 | 2,031 | 853 | 1,991 | 1,049 |

There were no disposals or impairments of heritage assets in the period.

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

Primary Collection

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 11,300 portraits of the most famous people in British history. Of these more than 4,200 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere, including loans outside the UK. In addition, there are some 7,000 works on paper, shown on a rotating basis of about 300 items a year. All the portraits in the Primary Collection are accessible on the website in the search mechanism, Search the Collections. Those wishing to see paintings and other portraits in the Primary Collection not on display, or to consult the records of the collection, should contact the Collections Manager in writing. Normally items not on display can readily be made available for viewing. The Collection is also made widely available via the Portrait Explorer in the IT Gallery, by CD-Rom and on the internet (at www.npg.org.uk).

Reference Collection

The Gallery holds its Reference Collection as a national resource; it contains more than 80,000 portraits and forms an image bank of the nation's famous and less famous faces. The range of work held in the Reference Collection complements the Gallery's Primary Collection and contributes to a better understanding of British portraiture generally. It consists of prints mainly, but also includes mainly print 2,000 drawings, 60 paintings and 100 sculptures, almost all relatively modest in nature. Examples of preparatory studies and working drawings record the process of making portraits and extensive holdings of engraved reproductions of portraits provide evidence for their distribution and consumption. The Reference Collection is used for study and exhibition, and has been extensively reproduced in books and other publications.

7. HERITAGE ASSETS (continued)

Photographs Collection

The photograph collection consists of more than 240,000 original photographic images of which at least 130,000 are original negatives. They date from the 1840s to the present day. The collection is divided into two parts; a Primary Collection of items that has been subsumed into the Gallery's Primary Collection of portraits, and the remainder which form the Photograph Collection.

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

Capitalisation of the Collections

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

Acquisitions and disposals

Acquisitions for the Primary Collection are subject to the approval of the Board of Trustees which meets four times a year. The Gallery's formal collecting policy is set out in the Acquisition and Disposal policy, which can be viewed on the Gallery's website, (National Portrait Gallery - Acquisition and disposal policy).

Conservation

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

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

Collections Management

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

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

8. AVAILABLE FOR SALE FINANCIAL ASSETS - INVESTMENTS**Fixed asset investments**

| | Restricted Funds | Unrestricted Funds | | 2011 £000 | 2010 £000 |
|--|------------------------------------|----------------------------------|------------------------|--------------|--------------|
| | Partners Capital TMP £000 | Black Rock (Charinco) £000 | CCLA (COIF) £000 | | |
| Market value at 1 April 2010 | - | 17 | 18 | 35 | 31 |
| Additions | 2,000 | - | - | 2,000 | - |
| Net gain/(loss) on revaluation | 100 | - | 1 | 101 | 4 |
| Market value at 31 March 2011 | 2,100 | 17 | 19 | 2,136 | 35 |
| Historical cost at 31 March 2011 | 2,000 | 13 | 4 | 2,017 | 17 |
| Unrealised Investment Gains at 31 March 2011 | 100 | 4 | 15 | 119 | 18 |

All investments relate to the Gallery only. These investments are being held for the purposes of producing a long term return and are not intended to be spent within the next 12 months. Funds held by Partners Capital LLP are invested in The Master Portfolio (TMP), which is a collective investment scheme, created by Partners Capital, that invests across a range of asset classes and securities (which may include investments in other collective investment schemes). All other funds are invested in common investment funds. The funds are analysed as follows:

| | 2011 £000 | 2010 £000 |
|----------------------------------|--------------|--------------|
| Investment assets in the UK | 36 | 35 |
| Investment assets outside the UK | 2,100 | - |
| | 2,136 | 35 |

Current asset investments

| | Partners Capital | | 2011 £000 | 2010 £000 |
|--|--|--|--------------|--------------|
| | Restricted Funds Portrait Fund £000 | Unrestricted Funds Investment & Contingency Fund £000 | | |
| Market value at 1 April 2010 | - | - | - | - |
| Add: Acquisitions at cost | 3,556 | 2,000 | 5,556 | - |
| Less: disposal proceeds | - | - | - | - |
| Net gain/(loss) on revaluation | 26 | 40 | 66 | - |
| Market value at 31 March 2011 | 3,582 | 2,040 | 5,622 | - |
| | 3,556 | 2,000 | 5,556 | - |
| Unrealised Investment Gains at 31 March 2011 | 26 | 40 | 66 | - |

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

| | 2011 £000 | 2010 £000 |
|----------------------------------|--------------|--------------|
| Investment assets in the UK | 350 | - |
| Investment assets outside the UK | 5,272 | - |
| | 5,622 | - |

9. FINANCIAL RISK MANAGEMENT

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

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

Liquidity risk

Approximately 50% of the Gallery's income (excluding income for buildings and net of trading and fundraising costs) is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which ensures that an amount equivalent in total to three-quarters of the Gallery's average stock levels is held in general funds. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

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

Credit risk

The Gallery group is exposed to credit risk of £207,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 99% of trade debtors over the last three years. Bad and doubtful debts are provided for on an individual basis. Write offs in the year for bad debts amounted to £65,214, (£1,581 in 2009/10). This write off was a single debt which had been provided for in full in 2009/10.

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

The Gallery's loan to its trading subsidiary is secured against the assets of the Company. This is mainly in the form of the Company's stock, which has a value of £141,000 and is convertible to cash and therefore reduces the credit risk of this arrangement. The amount of the loan outstanding as at 31 March 2011 stands at £24,000 and the Company will have paid off the loan by 31 March 2012.

Interest rate risk

The Gallery draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; 81% of the Gallery's financial assets represents cash and investments held for these short term requirements. Of these, 69% earn interest at a floating rate and 30% carry fixed rates of interest. The fixed rate investments consist of investments in UK and overseas government gilts. About 19% of the Gallery's financial assets are held in a collective investment scheme with assets allocated across a diverse range of asset classes and securities. However, the Gallery has taken a conservative approach to the amount of investment income it can expect from its investments to fund its operations and is therefore not exposed to significant interest rate risk. Asset allocations across all investment portfolios are reviewed regularly and can be adjusted at short notice in response to significant changes in market conditions. Furthermore, the Gallery's budgets are reviewed and updated regularly to take account of fluctuations in interest rates to ensure that operations are not jeopardised in the event of a significant fall in investment income.

9. FINANCIAL RISK MANAGEMENT (continued)**Interest rate profile**

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

| | Floating rate | Fixed rate | Non-interest bearing | Assets earning equity return | Total | Weighted average interest rate | Weighted average period for which rate is fixed |
|------------------|---------------|--------------|----------------------|------------------------------|---------------|--------------------------------|---|
| At 31 March 2011 | £000 | £000 | £000 | £000 | £000 | % | |
| Sterling | 6,452 | 2,806 | 53 | 2,100 | 11,411 | 3.14 | 3.7 years |
| Other | - | - | 4 | - | 4 | | |
| | 6,452 | 2,806 | 57 | 2,100 | 11,415 | | |
| At 31 March 2010 | £000 | £000 | £000 | £000 | £000 | | |
| Sterling | 11,835 | - | 51 | - | 11,886 | 0.69 | 1 month |
| | 4 | - | - | - | 4 | | |
| | 11,839 | - | 51 | - | 11,890 | | |

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

Reconciled to the Balance Sheet

| | 2011 £000 | 2010 £000 |
|---------------------------|---------------|---------------|
| Fixed Asset Investments | 2,136 | 35 |
| Current Asset Investments | 5,622 | - |
| Cash at Bank | 3,657 | 11,855 |
| Total | 11,415 | 11,890 |

Foreign currency risk

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

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

If all of the emerging market currencies depreciated against sterling by 10%, the overall impact on the portfolio of investments would be a fall in value of around £85,000. A similar appreciation of emerging market currencies against sterling would result in an appreciation in the value of the portfolio by a similar amount.

10. DEBTORS AND PREPAYMENTS

| | GROUP | | GALLERY | |
|--|--------------|-------------|----------------|-------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| a) Debtors falling due within one year | | | | |
| Trade debtors | 207 | 435 | 126 | 371 |
| Less provision for bad debts | (12) | (65) | - | (65) |
| | 195 | 370 | 126 | 306 |
| Other debtors | 98 | 294 | 92 | 282 |
| Prepayments | 77 | 57 | 76 | 56 |
| Accrued income | 210 | 303 | 166 | 266 |
| Amounts due from the Company | - | - | 507 | 604 |
| | 580 | 1,024 | 967 | 1,514 |
| b) Debtors falling due after one year | | | | |
| Amounts due from the Company | - | - | - | 23 |
| | - | - | - | 23 |

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

Of the amount due from the Company, £23,837 relates to a loan given by the Gallery on 1st April 2007. At that date, the loan totalled £111,000, repayable over 5 years. The rate payable is 1% above the Bank of England base rate. A further amount of £405,860 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31st March 2011.

| | GROUP | | GALLERY | |
|---|--------------|-------------|----------------|-------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| c) Intra-Government Balances | | | | |
| Balances with Central Government Bodies | 186 | 243 | 186 | 243 |
| Balances with Local Authorities | 22 | 20 | 22 | 11 |
| Balances with Public Corporations and Trading Funds | 1 | 1 | 1 | 1 |
| Balances with NHS Bodies | - | - | - | - |
| Sub-total Intra-Government Balances | 209 | 264 | 209 | 255 |
| Balances with Bodies external to Government | 371 | 760 | 758 | 1,259 |
| | 580 | 1,024 | 967 | 1,514 |

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

11. STOCK

| | GROUP | | GALLERY | |
|------------------|--------------|-------------|----------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Goods for resale | 229 | 259 | 88 | 131 |
| Work in progress | 12 | 11 | 12 | 11 |
| | 241 | 270 | 100 | 142 |

12. CURRENT LIABILITIES

a) Creditors falling due within one year

| | GROUP | | GALLERY | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Trade creditors | 122 | 180 | 119 | 177 |
| Other creditors | 122 | 123 | 122 | 123 |
| Taxation and social security | 167 | 227 | 167 | 227 |
| Accrued expenses | 808 | 737 | 773 | 700 |
| Deferred income | 433 | 408 | 433 | 382 |
| VAT payable | 32 | 47 | 32 | 47 |
| Provision for liabilities and charges | 127 | - | 127 | - |
| | 1,811 | 1,722 | 1,773 | 1,656 |

of which creditors for capital expenditure:

| | | | | |
|--|-----------|-----------|-----------|-----------|
| | 15 | 20 | 15 | 20 |
|--|-----------|-----------|-----------|-----------|

The provision includes an amount of £91k for dilapidations relating to the decision to vacate the Merton store.

b) Creditors falling due after one year

| | GROUP | | GALLERY | |
|------------------------|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Energy efficiency loan | 45 | - | 45 | - |
| | 45 | - | 45 | - |

The loan is from Salix Finance Ltd from their energy efficiency funding programme to fund energy saving schemes in the public sector. The loan was for £60,141, is interest free and is repayable over 4 years, to fund the purchase and installation of a Voltage Power Optimisation Unit to help reduce the Gallery's electricity consumption.

c) Intra-Government Balances

Intra-Government Balances falling due within one year

| | GROUP | | GALLERY | |
|---|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Balances with Central Government Bodies | 317 | 391 | 309 | 391 |
| Balances with Local Authorities | 45 | 17 | 45 | 17 |
| Balances with Public Corporations and Trading Funds | - | - | - | - |
| Balances with NHS Bodies | - | - | - | - |
| Sub-total Intra-Government Balances | 362 | 408 | 354 | 408 |
| Balances with Bodies external to Government | 1,449 | 1,314 | 1,419 | 1,248 |
| | 1,811 | 1,722 | 1,773 | 1,656 |

Intra-Government Balances falling due after one year total £45,000 for both the Group and the Gallery and relate to the loan from Salix Finance Ltd. Further details of the loan are given in Note 12(b)

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

d) Movement on deferred income

| | GROUP | | | | | | | Total |
|---|-------------|----------------------------------|-----------------------|--------------------|----------------------|-----------|--------------------|------------|
| | Sponsorship | Theatre Hire & Conferences | Catering Franchise | Exhibition Fees | Registration Fees | Donations | Membership Fees | |
| Balance as at 1 April | 205 | 8 | 26 | 12 | 56 | - | 101 | 408 |
| Amounts released from previous years | (205) | (8) | (26) | (12) | (56) | - | (101) | (408) |
| Incoming resources deferred in the current year | 205 | 2 | - | 56 | 69 | - | 101 | 433 |
| Balance as at 31 March | 205 | 2 | - | 56 | 69 | - | 101 | 433 |

The disclosure includes the deferred income related to the Group.

13. STATEMENT OF FUNDS

| | Note | Balance at 1 April 2010 | Income | Expenses | Net gains/losses | Transfers | Balance at 31 March 2011 |
|--|------|----------------------------|---------------|-----------------|---------------------|----------------|-----------------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Unrestricted funds | 14 | | | | | | |
| Designated funds: | | | | | | | |
| Fixed Asset Fund | | 10,652 | 495 | (1,467) | (117) | - | 9,563 |
| Investment and Contingency Fund | | 4,591 | - | - | - | (1,717) | 2,874 |
| Portrait Fund | | 10 | 66 | - | - | - | 76 |
| Deferred Projects Fund | | 632 | - | (571) | - | 614 | 675 |
| Total designated funds | | 15,885 | 561 | (2,038) | (117) | (1,103) | 13,188 |
| General Funds (Working Capital) | 14 | 250 | 12,105 | (13,029) | 40 | 884 | 250 |
| Total unrestricted funds | | 16,135 | 12,666 | (15,067) | (77) | (219) | 13,438 |
| Restricted funds | 15 | | | | | | |
| Fixed Asset Fund | | 37,802 | - | (876) | 1,546 | - | 38,472 |
| Capitalised Collection Fund | | 10,556 | 500 | - | - | 29 | 11,085 |
| | | 48,358 | 500 | (876) | 1,546 | 29 | 49,557 |
| Portrait Fund | | 5,478 | 97 | - | 127 | - | 5,702 |
| Grants and Donations Fund | | 498 | 1,028 | (917) | - | 190 | 799 |
| Dame Helen Gardner Bequest Fund | | 3 | 1 | - | - | - | 4 |
| | | 5,979 | 1,126 | (917) | 127 | 190 | 6,505 |
| Total restricted funds | | 54,337 | 1,626 | (1,793) | 1,673 | 219 | 56,062 |
| Total Funds | | 70,472 | 14,292 | (16,860) | 1,596 | - | 69,500 |

| | As at 1 April 2010 | Unrealised gains/losses under fair value | Realised gains/losses under fair value | As at 31 March 2011 | Reserve/Fund excl fair value as at 31 March 2011 | Reserve/Fund incl fair value as at 31 March 2011 |
|---|-----------------------|---|---|------------------------|---|--|
| Fair Value Reserve (Investments) | | | | | | |
| Unrestricted | | | | | | |
| General Fund | 18 | 41 | - | 59 | 191 | 250 |
| Restricted | | | | | | |
| Portrait Fund | - | 126 | - | 126 | 5,576 | 5,702 |

14. DESIGNATED FUNDS

FIXED ASSET FUND

This fund represents the net book value of all the Gallery's furniture and equipment, (mainly IT equipment), and plant and machinery including that held at its rented storage facility in Merton.

INVESTMENT AND CONTINGENCY FUND

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

PORTRAIT FUND

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

DEFERRED PROJECTS FUND

This fund represents underspends generated this year which are to be employed in projects next year.

The projects include an access control system and other security equipment, and funding relating to projects supported by the Lerner Gift. The Fund also includes funding earmarked for future acquisitions. Transfers represent the underspends identified in this year set aside for projects to be undertaken in future years.

GENERAL FUND

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £250,000 in the General Reserve equates in total to at least three-quarters of the average stock levels in the accounts.

15. RESTRICTED FUNDS

FIXED ASSET FUND

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

CAPITALISED COLLECTION FUND

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

PORTRAIT FUND

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

GRANTS AND DONATIONS FUND

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

DAME HELEN GARDNER BEQUEST

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

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2011 are represented by:

| | Unrestricted | | Restricted | Total |
|-------------------------|--------------------|-----------------|---------------|----------------|
| | Designated £000 | General £000 | £000 | |
| Fixed Assets | 9,563 | - | 38,472 | 48,035 |
| Heritage Assets | - | - | 11,085 | 11,085 |
| Investments | 36 | - | 2,100 | 2,136 |
| Current Assets | 3,589 | 2,106 | 4,405 | 10,100 |
| Current Liabilities | - | (1,811) | - | (1,811) |
| Long term Liabilities | - | (45) | - | (45) |
| Total Net Assets | 13,188 | 250 | 56,062 | 69,500 |

17. FINANCIAL COMMITMENTS

As at 31 March 2011 the Gallery had annual commitments under non-cancellable operating leases as follows:

| Operating leases which expire: | 2011 | | 2010 | |
|--------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
| | Land and buildings £000 | Other Operating Leases £000 | Land and buildings £000 | Other Operating Leases £000 |
| Less than one year | 11 | 5 | - | - |
| One to two years | - | 4 | 67 | - |
| Two to five years | - | - | - | 9 |

The figure for land and buildings represents the lease on the Merton store. The lease was due to expire in November 2011 but the determination date of 31 May 2011 has been exercised.

18. CAPITAL COMMITMENTS

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Capital expenditure contracted for but not provided in the accounts | 125 | - |
| Capital expenditure authorised but not contracted for | 245 | 274 |

There was no capital expenditure contracted for but not provided at the year end. Capital expenditure authorised but not contracted for relates to the planned purchase of a portrait and planned works to the Gallery.

19. CASH FLOW INFORMATION*a) Reconciliation of changes in resources to net cash (outflow)/ inflow from operating activities*

| | 2011 | 2010 |
|---|--------------------|--------------|
| | £000 | £000 |
| Net incoming/(outgoing) resources before revaluations | (2,568) | 985 |
| less: Investment income | (69) | (84) |
| Donated acquisitions | (368) | (714) |
| Loss on disposal of fixed assets | 129 | 2 |
| Depreciation | 2,214 | 2,204 |
| (Increase) / Decrease in debtors | 444 | (307) |
| (Decrease) / Increase in creditors | 114 | (129) |
| Increase / (Decrease) in deferred income | 25 | 174 |
| Decrease in stock | 29 | 19 |
| Net cash flow from operating activities | <u>(50)</u> | <u>2,150</u> |

*b) Analysis of Cash Flows***Capital expenditure and financial investment**

| | | |
|---|---------------------|--------------|
| Payments to acquire tangible fixed assets | <u>(661)</u> | <u>(726)</u> |
|---|---------------------|--------------|

Management of liquid resources

| | | |
|-------------------------|-----------------------|----------|
| Purchase of investments | <u>(7,556)</u> | <u>-</u> |
|-------------------------|-----------------------|----------|

Return on investments and servicing of finance

| | | |
|----------------------|------------------|-----------|
| Interest received | 67 | 82 |
| Investment dividends | 2 | 2 |
| | <u>69</u> | <u>84</u> |

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

| | | |
|---|-----------------------|---------------|
| (Decrease) in cash in period | (642) | 1,508 |
| Cash flow from change in liquid resources | <u>(7,556)</u> | <u>-</u> |
| Movement in net funds in the period | (8,198) | 1,508 |
| Net funds at 1 April | 11,855 | 10,347 |
| Net funds at 31 March | <u>3,657</u> | <u>11,855</u> |

d) Analysis of net funds

| | 1 April 2010 | Cash flow | 31 March 2011 |
|--------------------------|----------------------|-----------------------|---------------------|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 11,855 | (8,198) | 3,657 |
| Net funds | <u>11,855</u> | <u>(8,198)</u> | <u>3,657</u> |

20. TRADING SUBSIDIARY NATIONAL PORTRAIT GALLERY COMPANY LIMITED

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

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

| | 2011 | 2010 |
|--|--------------------------|-------------------|
| | £000 | £000 |
| <u>Profit and loss account</u> | | |
| Turnover | 2,056 | 2,301 |
| Cost of sales | (721) | (895) |
| Gross Profit | <u>1,335</u> | <u>1,406</u> |
| Administrative expenses | (931) | (963) |
| Trading Profit | <u>404</u> | <u>443</u> |
| Interest receivable | 2 | 2 |
| Loan interest payable | - | (1) |
| Profit on Ordinary Activities Before Taxation | <u>406</u> | <u>444</u> |
| Taxation | - | - |
| Profit on Ordinary Activities After Taxation | <u><u>406</u></u> | <u><u>444</u></u> |
| <u>Balance sheet</u> | | |
| Tangible fixed assets | - | - |
| Current assets | 544 | 689 |
| Creditors | (138) | (244) |
| Payment under Gift Aid to Gallery | (406) | (444) |
| Net assets | <u>-</u> | <u>1</u> |
| Share capital and reserves | <u>-</u> | <u>1</u> |

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

| | 2011 | 2010 |
|---|---------------------|--------------|
| | £000 | £000 |
| Turnover | 2,056 | 2,301 |
| Intra group transactions | - | - |
| Trading income included in SOFA | <u>2,056</u> | <u>2,301</u> |
| Cost of sales | (721) | (895) |
| Administrative expenses | (931) | (963) |
| Taxation | - | - |
| Intragroup transactions | 1,193 | 1,320 |
| Trading costs included within SOFA | <u>(459)</u> | <u>(538)</u> |
| Interest receivable | 2 | 2 |
| Included in investment income per SOFA | <u>2</u> | <u>2</u> |

21. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2011.

22. POST BALANCE SHEET EVENTS

The financial statements were authorised for issue by the Accounting Officer and Board of Trustees on the date of the audit certificate. The early termination clause in the Merton store lease was exercised by the Gallery and the lease was terminated on 31 May 2011. There were no other significant post balance sheet events.

23. RELATED PARTY TRANSACTIONS

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

Other Related Party Transactions

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

| <u>Trustee</u> | <u>Related party</u> | <u>Position held at related party</u> | <u>Transaction and balance details</u> |
|---|-------------------------|---------------------------------------|--|
| Professor Sir David Cannadine | National Trust | Member of Eastern Region Committee | £13,000 provided for project grants. £23,000 for contributions to utilities in partnership properties. £11,000 of book and postcard sales. £400 balance at year end. |
| Lord Janvrin | HSBC | Deputy Chairman | £5,000 of sales for corporate event. Nil balance at year end. |
| Lord Janvrin | Tate Gallery | Close family member employed at Tate | £6,000 of purchases for welfare services, reproduction fees and catering costs. £800 of contributions to joint marketing event. Nil balance at year end. |
| Lady Douro | Eton College | Fellow of Eton College | £70 of purchases for reproduction fees. Nil balance at year end. |
| David Ross | David Ross Foundation | Trustee | £5,000 purchases made at fundraising event. Nil balance at year end. |
| Professor Sara Selwood | Sara Selwood Associates | Director | £200 for services provided at seminar. Nil balance at year end. |
| Sir Nicholas Grimshaw | Royal Academy of Arts | Trustee | £94 of purchases for reproduction fees. Nil balance at year end. |
| <u>Independent Members (Investment Committee)</u> | | | |
| Jeremy Sillem | Brasenose College | Investment Committee Member | £24 of purchases for reproduction fees. Nil balance at year end. |

Gallery Management

| | | | |
|---------------|---------------------|--|---|
| Peter Funnell | British Academy | Member of Pictures Portraits and Decorations Committee | £1,300 of purchases for venue hire. Nil balance at year end. |
| Sarah Moir | Rocket Food Company | Close family member is director of company | £3,000 of purchases for events catering. Nil balance at year end. |

Trustees: Professor Sir David Cannadine was paid £400 for an essay to be included in a Gallery exhibition catalogue. Dame Amelia Fawcett became a Life-Patron in 2009/10, donating £5,340 through American Friends. The Marchioness of Douro was a Patron during the year (paying a subscription of £200 and giving a £1,050 donation). Photographs to the value of £586 were purchased for the Gallery's collections from Mary McCartney. Marina Warner made a £200 contribution towards the Diallo portrait appeal.

Independent Members: Jeremy Sillem - an independent member of the Investment Committee - is a shareholder with Partners Capital LLP. Partners Capital LLP are the Gallery's investment advisors with £7.7 million of the Gallery's reserves under management.

Staff: Terence Pepper (the Gallery's Curator of Photographs) donated 53 photographs with an aggregated value of £1,642 to the Gallery's photographic collection, the Gallery owed him £1,911 at the year end for collection purchases and expenses. Jan Marsh (Picture Researcher) has sold an engraving to the Gallery for £300. As the author of the book "*Insights: The Pre-Raphaelite Circle*" published by the Gallery, she earned £160.23 as royalties on annual sales.



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