

MUSEUMS AND GALLERIES ACT 1992

Accounts, prepared pursuant to c.44 para 9(8) of the Museums and Galleries Act 1992, of the Board of Trustees of the Tate Gallery for the year ended 31 March 2000, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 838 of 1998–99)

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

Board of Trustees of the Tate Gallery Accounts 1999–2000

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 24 OCTOBER 2000

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Trustees and Advisers

Membership of the Board of Trustees

David Verey (Chairman)
Professor Dawn Ades
Victoria Barnsley
The Hon Mrs Janet de Botton
Sir Richard Carew Pole
Professor Michael Craig-Martin (retired April 1999)
Peter Doig
Professor Jennifer Latto
Sir Christopher Mallaby
Jon Snow (appointed April 1999)
John Studzinski
Gillian Wearing (appointed March 2000)
Bill Woodrow

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

Tate
Millbank
London
SW1P 4RG

Auditors

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

Bankers

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

Solicitors

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

Linklaters

1 Silk Street
London
EC2Y 8HQ

Foreword and Annual Report

Statutory background

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

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

The Museums and Galleries Act, 1992, which repealed the 1954 Act, established the Board of Trustees of the Tate Gallery as a corporate body and added it to the list of exempt charities under the 1960 Charities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

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

Organisation and Structure

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

The Trustees are listed on page 1. The Board has a number of formal sub-committees:

- The Finance & Audit Committee (Sir Christopher Mallaby (Chair), David Verey, John Studzinski, Victoria Barnsley and one co-opted member, Elwyn Eilledge).

In October 1997 the Trustees appointed KPMG to provide internal audit services to Tate; the internal auditors report to the Trustees via the Finance and Audit Committee.

- Tate Councils

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

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

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

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

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

The Tate Director is appointed by the Board of Trustees with the approval of the Prime Minister and is responsible to the Board for the general exercise of the Board's functions. The Director's Group assists the Director in the discharge of these responsibilities.

At 31 March 2000 the Director's Group comprised:

Nicholas Serota	Director
Dawn Austwick	Project Director Tate Modern
Alex Beard	Director of Business Strategy
Lewis Biggs	Director of Tate Liverpool
Stephen Deuchar	Director of Tate Britain
Jim France	Director of Collection and Research Services
Jeremy Lewison	Director of Collections
Sandy Nairne	Director of National Programmes
Lars Nittve	Director of Tate Modern
Peter Wilson	Director of Buildings and Gallery Services
Sian Williams	Finance Director

Subsidiary undertakings

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

Connected Charities

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

The Foundation seeks to promote the charitable purposes of Tate.

During the year the Foundation made donations to Tate of £425,030 (£487,535 in 1998–99). The balance of funds held by the Foundation at 31 March 2000 was £4,799,694 (£4,309,616 in 1998–99).

Aims, Goals and Values

The overall aim for Tate, drawn from the Museums and Galleries Act 1992, is "to increase public awareness, understanding and appreciation of British art from the sixteenth-century to the present day and of modern and contemporary art from around the world".

In relation to this aim, Tate has established five key goals. These are to:

Develop new audiences at each of the Tate galleries and beyond: specifically, to double the number of visits to the galleries in London; to promote social inclusion through access improvements and outreach work; to develop Tate national and international programmes as a means of generating new audiences; and to improve understanding of art by extending Tate research and publication programmes, its education and interpretation strategies, and by exploiting new technologies.

Maximise the value and role of the Collection: to extend the Collection by developing and exploiting opportunities presented by gift, bequest and in lieu procedures as well as by purchases from general funds and acquisitions endowments; to maintain the Collection by continuing to develop storage and conservation facilities; to maximise the value of the Collection as an asset through the ongoing digitisation

programme and dissemination of related information resources through publishing programmes and further internet developments.

Demonstrate leadership in key fields: to develop Tate's reputation for excellence in the following key areas: quality of Collections and related information; Collections management and care; approach to the display of art and innovation in programme; publishing of books and catalogues; providing high quality services to the public including via the world wide web.

Develop an open and outward-looking organisation: to extend the range of partnerships in which Tate is a participant, specifically in the education, digital media and broadcasting sectors, as well as with other galleries in the UK and internationally; to develop a range of relationships with commercial partners with a view to generating new income streams and increased wealth.

Develop available resources: to generate additional resources to support the larger organisation; to optimise organisational efficiency to find new ways of employing the assets of the Collection, staff and estate; to be a fair and forward-looking employer.

In pursuing these goals Tate will seek to further its commitment to the following values:

- the creative and social role of art across the whole of society
- the education potential of art and its role in the development of the individual and in life-long learning
- quality of design and accessibility of environment
- diversity, creativity, new ideas and approaches
- the effective and rewarding contribution of each member of Tate staff.

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

Review of 1999–2000

Achievements during 1999–2000 include:

- 2,482,522 people visited the galleries in London, Liverpool and St Ives during the 1999–2000 financial year.
- A popular and critically acclaimed public programme including the Pollock, Abracadabra, Bloomsbury and Turner Prize exhibitions in London and the Heaven exhibition in Liverpool where the first Contemporary Art Biennial to take place in the UK was launched.
- The success of the Tate Website providing information and images from the collection as well as links to activities of each gallery. The site attracts over 250,000 hits per day.
- Key acquisitions through gift, bequest and purchase including important works by Ben Nicholson, Joan Miro, Sir Stanley Spencer, Marcel Duchamp, and Piet Mondrian.

- The successful launch of a new identity, re-branding the Tate Gallery as Tate tying in with the rededication of the gallery at Millbank as Tate Britain and the opening of Tate Modern at Bankside in May 2000.
- The launch of Tate Partnership scheme, a collaboration with a number of regional museums in the UK.

Future developments

The launch of Tate Modern in May following the rededication of the Millbank gallery as Tate Britain in March completes Tate's transformation from a London gallery with two regional outposts to an organisation based around four sites, a series of Collections and central services supporting these entities.

The creation of the two new galleries in London provides an opportunity to pioneer a new approach to the display of art, along with other innovations pioneered in the two regional outposts. A more extensive programme of temporary exhibitions will accompany displays at both sites, as will a closely integrated range of education and interpretation activities. Further gallery space will be provided at Tate Britain on completion of the Centenary Development.

An increasingly important strand of activity will be the development of a partnership programme nationally and internationally. Through a series of loans and exhibitions the Tate Partnership scheme will increase public access to the Collection and generate new opportunities for training and development in the UK. Tate will seek to build on these initiatives overseas.

In addition to the physical galleries Tate will continue to build on the success of its website and a key objective is to complete the digitisation of the Collection.

Underpinning these developments is the ongoing academic programme which embraces the development of Collection catalogues in key areas and specific research projects. This will be accompanied by ongoing conservation and care of Collections research and publication, as well as by a programme of initiatives designed to establish Tate as a centre of excellence for research about art for more general and public use.

Employee involvement and disabled persons

Tate is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act 1974.

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

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

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

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

Payment of creditors

Tate adheres to the Government-wide standard on the payment of creditors by aiming to settle all bills within 30 days or in accordance with the suppliers' terms of business. In 1999-2000 58 per cent (52 per cent in 1998-99) of invoices were settled in less than 30 days.

Year 2000

Since 31 December 1999 Tate has not incurred any significant problems as a result of the year 2000 issues. The Trustees believe that they have achieved an acceptable state of readiness and have also provided resources to deal promptly with significant subsequent failures or issues that may arise.

Financial Review

Presentation of the financial statements

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

The Consolidated Statement of Financial Activities set out on page 14 has been prepared in line with the SORP and shows incoming resources including income relating to capital projects. This income is not matched by capital expenditure, which is taken directly to tangible fixed assets. For this reason the Board of Trustees views the Consolidated Income and Expenditure Account as the primary financial statement for their purposes.

Results for the year and financial position

The Consolidated Income and Expenditure Account on page 13 shows an operating surplus on unrestricted funds before exceptional income of £361,000 (£937,000 in 1998-99), £194,000 (£252,000 in 1998-99) of which was transferred to general funds for the year.

The Consolidated Statement of Financial Activities on page 14 shows incoming resources of £78,356,000 (£86,586,000 in 1998-99). Of this amount £36,039,000 (£46,401,000 in 1998-99) was restricted to the on-going capital programme, £835,000 (£1,878,000 in 1998-99) represents investment income on the insurance fund and £12,409,000 (£8,540,000 in 1998-99) was applied to collection acquisitions. The £29,073,000 (£29,767,000 in 1998-99) remaining was used to fund ongoing operations.

During the year works of art with an approximate value of £7,648,000 (£3,772,000 in 1998-99) were donated, bequeathed or given in lieu of tax to Tate and £3,566,000 (£3,765,000 in 1998-99) was spent directly on purchases of works of art. The costs of Collection acquisitions disclosed in the SOFA of £12,409,000 (£8,540,000 in 1998-99) represents both donated and purchased works of art combined with an apportionment of salaries and overheads applied to this area of operation.

Funds carried forward of £269,424,000 (£231,095,000 in 1998-99) can be analysed as follows:

	2000	1999
	£000	£000
Capital reserves	232,695	197,154
Revaluation Reserve	2,957	—
Funds restricted for Collection acquisitions	774	740
Endowments	433	482
Restricted insurance monies	23,561	22,995
Other funds	6	734
General funds	8,998	8,990
	269,424	231,095

Performance Indicators

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

Indicator	Target	Actual
Visitor numbers	2.6 million	2.5 million
% of regular attendees	50%	66%
Internet hits	5.5 million	6.6 million
School visits	100,000	130,000
Visitors to touring exhibitions	400,000	465,000
Loan of works of Art	320	350
Partnerships with UK galleries	5	5

Fixed assets

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

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

In accordance with Treasury requirements a valuation of the Trustees' property holdings, excluding works in progress at Tate Modern, was undertaken at 31 March 1999 by a firm of independent chartered surveyors. Where material the changes in value were reflected in the Balance Sheet and the Statement of Financial Activities. Assets are stated at current cost in the accounts and indexed annually when no formal valuation is undertaken, this results in a revaluation reserve which currently amounts to £2,957,000.

Additions to fixed assets of £57,104,000 (£60,320,000 in 1998-99) reflect progress on large developments at Tate Modern £40,940,000, Tate Britain £12,125,000, Southwark Store £1,027,000 and Tate Liverpool £332,000. Tate Publishing Group has invested £892,000 in the start up of retail and catering operations at Tate Modern and the remaining £1,788,000 represents investment in a number of IT projects and major repairs required to ensure the correct infrastructure exists to support the expanded Tate.

Insurance funds

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

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

**Post balance sheet
events**

There are no material post balance sheet events.

Nicholas Serota
Director, Tate

19 July 2000

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

19 July 2000

Statement of Trustees' and Director's responsibilities

Under Section 9(4) and (5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of account in the form and on the basis directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of Tate's financial activities during the year and of its financial position at the end of the year.

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

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for Tate. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in Government Accounting.

Nicholas Serota
Director, Tate

19 July 2000

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

19 July 2000

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

Statement on the System of Internal Financial Control

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

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

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

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

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

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

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

Nicholas Serota
Director and Accounting Officer, Tate

19 July 2000

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

I certify that I have audited the financial statements on pages 13 to 33 under the Museums and Galleries Act 1992. These financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 18 to 19.

Respective responsibilities of the Trustees, the Director and Auditor

As described on page 10 the Trustees and the Director of Tate as Accounting Officer are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Trustees and the Director are also responsible for the preparation of the Foreword and Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder, and whether in all material respects the expenditure and income have been applied to the purpose intended by Parliament and the financial transactions conform to the authorities which govern them. I also report, if in my opinion, the Foreword and Annual Report on pages 2 to 9 is not consistent with the financial statements, if the Tate has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 11 reflects the Tate's compliance with the Treasury's guidance "Corporate Governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Tate and of the Group at 31 March 2000 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and with the directions made thereunder by the Secretary of State for Culture, Media & Sport; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn,
Comptroller and Auditor General

31 August 2000

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

Consolidated Summary Income and Expenditure Account for the year ended 31 March 2000

	Notes	Unrestricted Funds £000	Restricted Funds £000	2000 Total £000	1999 Total £000
Income					
Grant in aid	2	19,727	—	19,727	17,565
Lottery and other public funding	3	—	1,456	1,456	205
Admissions		1,888	—	1,888	2,182
Sponsorship and donations		1,146	1,613	2,759	2,805
Donations of works of art		—	7,648	7,648	3,772
Trading income	9	6,248	—	6,248	9,498
Other income		1,219	15	1,234	1,621
Investment income	4	455	67	522	659
		<u>30,683</u>	<u>10,799</u>	<u>41,482</u>	<u>38,307</u>
Expenditure					
Collection acquisitions	6	2,640	9,769	12,409	8,540
Other operating costs		27,682	1,060	28,742	28,745
		<u>30,322</u>	<u>10,829</u>	<u>41,151</u>	<u>37,285</u>
Operating surplus/(deficit)		<u>361</u>	<u>(30)</u>	<u>331</u>	<u>1,022</u>

Note-

Contributions of Capital and Insurance Income For the year ended 31 March 2000

	Notes	Unrestricted Funds £000	Restricted Funds £000	2000 Total £000	1999 Total £000
Income applied to capital projects					
Grant in aid	2	—	—	—	1,653
Lottery and other public funding	3	—	15,244	15,244	30,995
Sponsorship and donations		—	12,705	12,705	7,250
Other Income		—	11	11	—
Trading income	9	1,955	—	1,955	167
Investment income	4	—	6,124	6,124	6,336
Total income applied to capital projects		<u>1,955</u>	<u>34,084</u>	<u>36,039</u>	<u>46,401</u>
Depreciation	5	(768)	(747)	(1,515)	(1,570)
Exceptional items		—	—	—	(15,556)
Net capital income		<u>1,187</u>	<u>33,337</u>	<u>34,524</u>	<u>29,275</u>
Insurance fund					
Tied investment income	4	—	835	835	1,878
Expenditure		—	(269)	(269)	—
Exceptional item		—	—	—	(8,000)
		<u>—</u>	<u>566</u>	<u>566</u>	<u>(6,122)</u>

The notes on pages 18 to 33 form part of the accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2000

	Notes	Unrestricted Funds £000	Restricted Funds £000	2000 Total £000	1999 Total £000
Incoming resources					
Grant in aid	2	19,727	—	19,727	19,218
Lottery and other public funding	3	—	16,700	16,700	31,200
Admissions		1,888	—	1,888	2,182
Sponsorship and donations		1,146	14,318	15,464	10,055
Donations of works of art		—	7,648	7,648	3,772
Trading income	9	8,203	—	8,203	9,665
Other income		1,219	26	1,245	1,621
Investment income	4	455	7,026	7,481	8,873
Total incoming resources		32,638	45,718	78,356	86,586
Resources expended					
<i>Direct charitable expenditure</i>					
Collection acquisitions		2,640	9,769	12,409	8,540
Collection management		3,336	87	3,423	3,980
<i>Public programme</i>					
Tate Britain		10,716	1,272	11,988	12,568
Tate Liverpool		3,307	306	3,613	3,280
Tate St Ives		1,043	14	1,057	981
National Programme		187	—	187	28
		21,229	11,448	32,677	29,377
<i>Other expenditure</i>					
Fund-raising and publicity		1,365	269	1,634	1,361
Trading costs	9	6,675	—	6,675	6,768
Management and administration		1,821	128	1,949	1,349
Exceptional items	5	—	—	—	23,556
		9,861	397	10,258	33,034
Total resources expended		31,090	11,845	42,935	62,411
Net incoming resources	5	1,548	33,873	35,421	24,175
Notional costs	7	(15,016)	—	(15,016)	(13,141)
Net incoming resources after notional costs		(13,468)	33,873	20,405	11,034
Reversal of notional costs		15,016	—	15,016	13,141
Net incoming resources		1,548	33,873	35,421	24,175
Gain on investment assets		—	(49)	(49)	(18)
Modified Historical Cost Adjustment	5	—	2,957	2,957	—
Net movement of funds		1,548	36,781	38,329	24,157
Funds brought forward at 1 April 1999	13	21,060	210,035	231,095	206,938
Transfers between reserves	13	32	(32)	—	—
Funds carried forward at 31 March 2000		22,640	246,784	269,424	231,095

This statement includes incoming resources relating to capital projects which are not matched by the application of resources to capital expenditure, which is taken directly to Fixed Assets (see note 8). All operations of Tate continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

The notes on pages 18 to 33 form part of the accounts.

Consolidated Balance Sheet at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	8	257,381	198,835
Investments	4	444	11,793
		<u>257,825</u>	<u>210,628</u>
Current assets			
Tate Modern Development security deposit	17	108,585	94,752
Stocks		1,379	1,233
Debtors and prepayments	10	7,214	6,710
Cash and Liquid Resources		25,007	32,370
		<u>142,185</u>	<u>135,065</u>
Creditors: amounts falling due within one year	11	(13,778)	(9,318)
Net current assets		<u>128,407</u>	<u>125,747</u>
Total assets less current liabilities		386,232	336,375
Creditors: amount falling due after one year	11	(116,808)	(105,280)
Total assets less liabilities		<u>269,424</u>	<u>231,095</u>
Represented by:			
Income funds			
Restricted reserves	13	246,351	209,553
Unrestricted reserves			
Designated	13	13,642	12,070
General	13	8,998	8,990
Total income funds		<u>268,991</u>	<u>230,613</u>
Endowments	13	433	482
Total funds		<u>269,424</u>	<u>231,095</u>

The financial statements on pages 13 to 33 were approved by the Trustees on:

Nicholas Serota
Director, Tate

19 July 2000

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

19 July 2000

The notes on pages 18 to 33 form part of the accounts.

Tate Balance Sheet at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	8	256,034	198,213
Investments	4	444	11,793
		<u>256,478</u>	<u>210,006</u>
Current assets			
Tate Modern Development security deposit	17	108,585	94,752
Debtors and prepayments	10	5,525	6,920
Cash and Liquid Resources		22,188	26,394
		<u>136,298</u>	<u>128,066</u>
Creditors: amounts falling due within one year	11	(10,161)	(5,680)
Net current assets		<u>126,137</u>	<u>122,386</u>
Total assets less current liabilities		<u>382,615</u>	<u>332,392</u>
Creditors: amount falling due after one year	11	(116,808)	(105,280)
Total assets less liabilities		<u>265,807</u>	<u>227,112</u>
Represented by:			
Income funds			
Restricted reserves		245,445	208,806
Unrestricted reserves			
Designated		12,918	12,068
General		7,011	5,756
Total income funds		<u>265,374</u>	<u>226,630</u>
Endowments		433	482
Total funds		<u>265,807</u>	<u>227,112</u>

Nicholas Serota
Director, Tate

19 July 2000

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

19 July 2000

The notes on pages 18 to 33 form part of the accounts.

Consolidated Cash Flow Statement for the year ended 31 March 2000

	Notes	2000 £000	Restated 1999 £000
Net cash inflow from operating activities	15	29,423	25,211
<i>Returns on investments and servicing of finance</i>			
Interest received		7,481	8,873
Proceeds from sale of investments		<u>11,300</u>	<u>12,001</u>
Net cash inflow from returns on investment and servicing of finance		18,781	20,874
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(41,734)	(13,604)
Proceeds of disposal of fixed assets		<u>—</u>	<u>1,154</u>
Net cash inflow/(outflow) from capital expenditure		(41,734)	(12,450)
Management of liquid resources	15(iii)	(7,296)	(31,276)
Increase/(Decrease) in cash		<u>(826)</u>	<u>2,359</u>

The notes on pages 18 to 33 form part of the accounts.

Notes to the Accounts

Accounting policies

1 Basis of accounting

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

Basis of Consolidation

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

Incoming resources

All income is accounted for on a receivable basis.

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

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

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

Expenditure

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

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

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

The Collection

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

Fixed assets

Tangible assets are stated at modified historic cost. Revaluation of assets is undertaken on a periodic basis and material variations from historical cost are reflected in the balance sheet value and unrealised gains or losses are disclosed in the Statement of Financial Activity. The cost of land and buildings includes interest and fees paid as a result of financing arrangements for assets in the course of construction.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected life as follows:

Freehold buildings	-20 to 90 years
Leasehold buildings	-over the lease term
Building works	-10 to 40 years
Other	-2 to 10 years

Investments

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

Stock

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

Cash and liquid resources

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

Finance and operating leases

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

The leasing agreement for Tate Modern (see note 17) transfers to the Trustees substantially all the benefits and risks of ownership of the asset and the asset is treated as though it has been purchased outright. The asset is included in assets in the course of construction and the capital value of the leasing commitment is shown as obligations under finance leases.

Pensions

The conditions of the Superannuation Act 1965 and 1972 apply to Tate staff. Contributions are made to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury, for 1999-2000 the rates ranged from 12.0 per cent to 18.5 per cent (12.0 per cent to 18.5 per cent in 1998-99) of pay.

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

Grant-in-aid	2	Grant-in-aid of £19,727,000 has been received during the year (£19,218,000 in 1998-99).		
		This money is available to fund running costs, capital improvements and Collections acquisitions and has been applied to running costs.		
<hr/>				
Lottery and other public funding	3		2000	1999
			£000	£000
		European Regional Development Fund	7	458
		Millennium Commission	3,310	25,065
		Arts Council of England	4,202	—
		London Borough of Southwark	711	—
		Heritage Lottery Fund	8,459	5,621
		Department for Education	11	5
		Foundation for Sports and the Arts	—	51
			<hr/>	<hr/>
			16,700	31,200
		of which the following is taken to (see page 13)		
		Income and Expenditure account	1,456	205
		Statement of capital income	15,244	30,995
<hr/>				
Investment income	4		2000	1999
			£000	£000
		Bank interest	7,463	6,989
		Income on quoted investments	18	1,884
			<hr/>	<hr/>
			7,481	8,873
		of which the following is taken to (see page 13)		
		Income and Expenditure account	522	659
		Capital	6,124	6,336
		Insurance	835	1,878
		Unrecognised losses are included in the Statement of Financial Activities.		
		Investments total £444,000 (£11,793,000 in 1998-99).		
		due date	2000	1999
			£000	£000
		Floating rate notes		
		Bradford & Bingley Building Society	02/2000	—
		Leeds Permanent Building Society	10/1998	—
		Alliance & Leicester Building Society	10/1999	—
		Alliance & Leicester Building Society	04/2000	—
		Britannia Building Society	01/2000	—
			<hr/>	<hr/>
			—	11,300
		Charifund	11	11
		Endowments administered by the Public Trustee	433	482
			<hr/>	<hr/>
		Total	444	11,793
<hr/>				

Net incoming resources	5	are stated after charging:		Restated
				2000
			£000	£000
		Auditor's remuneration	50	48
		Taxation advice	37	37
		Operating lease rentals		
		Land and buildings	89	693
		Vehicles and Equipment	70	65
		Depreciation	1,515	1,570
		Exceptional items (see below)	—	23,556
		Rent receivable	(60)	(55)
		Modified Historical Cost Adjustment	2,957	—
		Exceptional items are as follows:		
		Purchase of title to stolen works of Art (recovery operation)	—	8,000
		Impact of valuation of properties	—	15,031
		Loss on disposal of fixed assets	—	525
			—	23,556

Total resources expended	6		Staff	Other	Depreciation	2000	1999
			Costs	Direct		Total	Total
			£000	Costs	£000	£000	£000
		<i>Direct and charitable expenditure</i>					
		Collection acquisitions	1,007	11,396	6	12,409	8,540
		Collection management	2,114	1,141	168	3,423	3,980
		Public programme					
		Tate Britain	5,905	5,248	835	11,988	12,568
		Liverpool	1,493	1,820	300	3,613	3,280
		St Ives	546	494	17	1,057	981
		National Programme	132	55	—	187	28
			11,197	20,154	1,326	32,677	29,377
		<i>Other expenditure</i>					
		Fund-raising and publicity	1,057	572	5	1,634	1,361
		Costs of trading	2,264	4,244	167	6,675	6,768
		Management and administration	797	1,135	17	1,949	1,349
		Exceptional item	—	—	—	—	23,556
			4,118	5,951	189	10,258	33,034
		<i>Total resources expended</i>	15,315	26,105	1,515	42,935	62,411

Direct costs of Collection acquisitions comprise £3,566,000 (£3,765,000 in 1998-99) of purchase costs of works of art, £7,648,000 (£3,772,000 in 1998-99) relating to donated works of art, and £182,000 (£43,000 in 1998-99) of other acquisition-related costs.

(a) Staff costs	2000	1999
	£000	£000
Wages and salaries	12,179	11,478
Pension costs	1,391	1,262
Social Security costs	967	903
Restructuring	31	222
Employee costs	14,568	13,865
Agency staff costs	747	651
	<u>15,315</u>	<u>14,516</u>

The restructuring costs relate to changes in administrative functions.

The Chairman and other Trustees received no remuneration but they received expenses amounting to £489 in 1999-2000 (£988 in 1998-99).

The Director's total remuneration in 1999-2000 including pension contributions amounted to £197,134, comprising £110,240 salary, £20,394 pension contribution and £66,500 bonus (£125,610 in 1998-99, comprising £106,000 salary and £19,610 pension contributions).

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

Directors Pension Disclosure

Age	53
Basic Pay at 31 March 2000	£110,000
Pension Increase (Net of Inflation)	£2,000
Accrued Pension	£27,000

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

	2000	1999
	No.	No.
£40,000-£49,999	15	9
£50,000-£59,999	9	10
£60,000-£69,999	2	3
£70,000-£79,999	2	1
£100,000-£109,999	—	1
£170,000-£179,999	1	—

The average number of employees during the year was 665 (643 in 1998-99).
The breakdown of employees at the year end by occupational groups was:

	2000	1999
	No.	No.
Collection acquisitions	29	28
Collection management	71	63
Public programme		
Tate Britain	236	235
Tate Liverpool	69	70
Tate St Ives	35	27
National Programme	4	2
Fund-raising and publicity	44	37
Trading	166	176
Management and administration	23	24
	<u>677</u>	<u>662</u>

Notional costs

- 7 Notional cost of capital is £15,016,000 (£13,141,000 in 1998-99), calculated as 6 per cent of the average capital employed by Tate in the year.

Fixed assets

8 Group	Assets in the				
	Construction	Land	Buildings	Other	Total
	£000	£000	£000	£000	£000
Value at 1 April 1999	92,240	55,280	51,844	3,711	203,075
Additions at cost	54,243	—	1,543	1,318	57,104
Transfer of assets	—	—	—	—	—
Valuation of assets	—	1,517	1,440	—	2,957
Disposals	—	—	(85)	(212)	(297)
Value at 31 March 2000	146,483	56,797	54,742	4,817	262,839
Depreciation at 1 April 1999	—	—	1,259	2,981	4,240
Charge for the year	—	—	950	540	1,490
Valuation of assets	—	—	25	—	25
Disposals	—	—	(85)	(212)	(297)
Depreciation at 31 March 2000	—	—	2,149	3,309	5,458
Net book value at 31 March 2000	146,483	56,797	52,593	1,508	257,381
Net book value at 1 April 1999	92,240	55,280	50,585	730	198,835

Tate	Assets in the				
	Construction	Land	Buildings	Other	Total
	£000	£000	£000	£000	£000
Value at 1 April 1999	92,240	55,280	51,028	2,371	200,919
Additions at cost	54,243	—	1,490	479	56,212
Transfer of assets	—	—	—	—	—
Valuation of assets	—	1,517	1,440	—	2,957
Disposals	—	—	—	—	—
Value at 31 March 2000	146,483	56,797	53,958	2,850	260,088
Depreciation at 1 April 1999	—	—	818	1,888	2,706
Charge for the year	—	—	896	427	1,323
Valuation of assets	—	—	25	—	25
Disposal	—	—	—	—	—
Depreciation at 31 March 2000	—	—	1,739	2,315	4,054
Net book value at 31 March 2000	146,483	56,797	52,219	535	256,034
Net book value at 1 April 1999	92,240	55,280	50,210	483	198,213

In accordance with Treasury requirements land and building were valued at 31 March 1999 by an independent firm of Chartered Surveyors and re-stated as at 31 March 2000 in accordance with Modified Historical Cost requirements.

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

The net book value at 31 March 2000 represents fixed assets for:

Group	Assets in the				
	Construction	Land	Buildings	Other	Total
	£000	£000	£000	£000	£000
Charitable activities	146,483	56,797	52,219	535	256,034
Other activities	—	—	374	973	1,347
	146,483	56,797	52,593	1,508	257,381
Tate					
Charitable activities	146,483	56,797	52,219	535	256,034
Other activities	—	—	—	—	—
Total	146,483	56,797	52,219	535	256,034

- Trading subsidiaries** 9 The Board of Trustees of the Tate Gallery owns the whole of the issued share capital of Tate Gallery Publications Ltd and Tate Gallery Projects Ltd.

Tate Gallery Publishing Limited

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

Tate Gallery Restaurant Limited is a wholly owned subsidiary of Tate Gallery Publishing Limited. Its principal activities comprise the management and operation of a restaurant, café and ancillary services for the benefit of visitors to Tate's gallery at Millbank.

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

	2000	1999
	£000	£000
Turnover	7,941	9,245
Cost of sales	(4,121)	(4,441)
Gross profit	3,820	4,804
Other income	306	355
Administrative expenses	(2,618)	(2,380)
Trading profit	1,508	2,779
Interest receivable	127	221
Net contribution	1,635	3,000

The net contribution consists of £1,432,000 from publishing and retail operations, and £203,000 from catering operations.

Turnover includes £171,000 of sales to Tate. Administrative expenses include £64,000 of expenditure recharged by Tate.

Tate Gallery Projects Limited

Tate Gallery Projects Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. Its principal activities consist of fund-raising and project management in respect of the Tate Modern project.

Debtors	10	Group		Tate	
		2000	1999	2000	1999
		£000	£000	£000	£000
Trade debtors		247	264	—	—
Amounts due from group companies		—	—	572	1,863
Other debtors		6,460	6,095	4,785	4,812
Prepayments		507	351	168	245
		<u>7,214</u>	<u>6,710</u>	<u>5,525</u>	<u>6,920</u>

Creditors **11 Creditors: amounts falling due within one year**

	Group		Tate	
	2000	1999	2000	1999
	£000	£000	£000	£000
Trade creditors	4,374	6,585	2,407	2,260
Obligations under finance lease (Note 17)	3,842	—	3,842	—
Accruals	3,707	1,343	2,229	997
Amount due to Group Companies	—	—	—	1,868
Other creditors	1,855	1,390	1,683	555
	<u>13,778</u>	<u>9,318</u>	<u>10,161</u>	<u>5,680</u>

Creditors: amounts falling due after one year

At 31 March 2000 Tate had obligations under finance leases (see note 17) of £116,808,000 (£105,280,000 at 31 March 1999) falling due after one year. No other members of the Group hold finance leases.

Operating leases **12 At 31 March 2000 Tate had annual commitments under non-cancellable leases as follows:**

	Land & Buildings		2000	1999
	£000	Other		
Operating leases expiring within			£000	£000
One year	—	13	13	12
Two to five years	—	46	46	35
More than five years	89	—	89	112
	<u>89</u>	<u>59</u>	<u>148</u>	<u>159</u>

No other members of the Group hold operating leases.

Statement of funds	13	Opening funds	Transfer	Income	Expenditure	Gain (loss) on investment	Closing Funds
		£000	£000	£000	£000	£000	£000
Unrestricted							
<i>Designated</i>							
Tate Liverpool Phase II		1,011	—	—	42	—	969
Collection acquisitions		—	—	2,640	2,640	—	—
Capital works and equipment		10,417	1,027	1,788	559	—	12,673
Other		642	(642)	—	—	—	—
		12,070	385	4,428	3,241	—	13,642
<i>General funds</i>		8,990	(353)	28,210	27,849	—	8,998
Total unrestricted funds		21,060	32	32,638	31,090	—	22,640
Restricted							
Tate Modern Development		83,316	—	24,739	10	—	108,045
Tate Centenary Development		14,602	—	8,920	—	—	23,522
Tate Liverpool Phase II		5,077	—	425	213	—	5,289
Collection acquisitions		740	—	9,803	9,769	—	774
Vested property		76,457	—	—	504	—	75,953
Capital works and equipment		6,274	—	—	30	—	6,244
Revaluation Reserve		—	—	2,957	—	—	2,957
Insurance monies		22,995	—	835	269	—	23,561
Other		92	(32)	996	1,050	—	6
		209,553	(32)	48,675	11,845	—	246,351
Endowments							
Gytha Trust expendable endowment		243	—	—	—	(31)	212
Downshire Fund permanent endowment		239	—	—	—	(18)	221
Total		482	—	—	—	(49)	433
Total funds		231,095	—	81,313	42,935	(49)	269,424

Transfers between reserves arise as follows:

£1,027,000 transfer from general reserves to capital works and equipment representing investment of capital receipts received last financial year in the fine art store at Southwark.

£674,000 transfer to general funds arising due to the Trustees decision to close a number of funds.

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

General funds

Funds available for general use.

Designated funds

Funds designated for a particular use by the Trustees.

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

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

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

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

Restricted funds

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

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

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

Short-term cashflow deficits arising during the year on the Tate Modern development have been funded through loans from general funds and insurance monies. At 31 March 2000 these loans amounted to £4,000,000 and £3,200,000 respectively. The loans attract interest at base rate plus 2 per cent and will be repaid as funds are remitted to the Tate Modern fund.

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

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

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

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

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

Vested property—the value of the Tate estate vested in the Board of Trustees by the Secretary of State for the Environment and adjusted for subsequent valuations and disposals.

Capital works and equipment—restricted funds raised specifically for and applied to the purchase of equipment and building works.

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

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

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

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

Other restricted reserves include:

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

Funds set up and utilised during the year as a result of donations received for specific purposes.

Endowment funds

Endowment funds are funds that the donor has stated are to be held as capital. Income from such funds is taken to the relevant restricted fund, while the capital is shown in a separate line in the Balance Sheet.

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

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

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

Analysis of net assets between funds	14	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2000 £000	Total 1999 £000
Funds balances at 31 March 2000 are represented by:						
Tangible fixed assets		20,642	236,739	—	257,381	198,835
Investments		—	11	433	444	11,793
Net current assets		8,998	119,409	—	128,407	125,747
Long Term Loan		(7,000)	7,000	—	—	—
Long Term Creditor		—	(116,808)	—	(116,808)	(105,280)
Total net assets		<u>22,640</u>	<u>246,351</u>	<u>433</u>	<u>269,424</u>	<u>231,095</u>

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

	2000	Restated 1999
	£000	£000
Net Incoming resources	35,421	24,175
Net investment income	(7,481)	(8,873)
Depreciation	1,515	1,570
Loss on disposal of fixed asset	—	525
Change in value of fixed asset	—	15,031
(Increase)/Decrease in stocks	(146)	(158)
(Increase)/Decrease in debtors	(504)	(631)
Increase/(Decrease) in creditors	618	(6,428)
Net cash inflow from operating activities	29,423	25,211

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

	2000	Restated 1999
	£000	£000
Increase/(Decrease) in cash in the year	(826)	2,359
Cash flow from management of liquid resources	7,296	31,276
Change in funds resulting from cash flows	6,470	33,635
Net funds at 1 April 1999	127,122	93,487
Net funds at 31 March 2000	133,592	127,122

(iii) Analysis of Movement in Funds

	Restated 1999	Cash Flow	2000
	£000	£000	£000
Liquid resources			
Tate Modern Development security deposit	94,752	13,833	108,585
Other	22,283	(6,537)	15,746
	117,035	7,296	124,331
Cash	10,087	(826)	9,261
	127,122	6,470	133,592

Financial commitments

16

	2000	1999
	£000	£000
Financial commitments were as follows:		
Capital expenditure contracted for, but not provided in the accounts	8,883	28,011
Acquisition of works of Art contracted for, but not provided in the accounts	3,019	2,574

**Tate Modern Finance
Leasing Structure**

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

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

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

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

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

Under the terms of the lease, the Board is obliged to hold a cash sum equivalent to 90 per cent of the present value of its future rental and interest obligations as security for the performance of these obligations. This sum is described as TM Development security deposit on pages 15 and 16 to the accounts and is subject to a charge in favour of NWPIL. At the year end the deposit was £108,585,000 (1998-99 £94,752,000).

The rental obligations to which the Board is committed are:

	2000	1999
	£000	£000
In one year or less	3,842	—
Between one and two years	7,822	—
Between two and five years	25,191	24,958
Over five years	484,653	510,286
	<u>521,508</u>	<u>535,244</u>

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

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

As at 31 March 2000 £123,348,000 (£82,408,000 in 1998–99) has been capitalised in respect of the TM development, and the present value of the Board's obligations under the lease stood at £120,650,000 (£105,280,000 in 1998–99).

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

Related party transactions

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

Tate received grants from the Heritage Lottery Fund, the lottery body administered by the National Heritage Memorial Fund (NHMF), and the Millennium Commission for which the Department is also regarded as the parent Department. Sir Richard Carew Pole is a Trustee of the NHMF and Tate.

Following discussions between the National Gallery and Tate on the scope of their Collections, the respective Boards have agreed that the dividing line of the National Gallery's and Tate's responsibilities in respect of Foreign art should be at 1900, rather than the late nineteenth century. Accordingly a group of works has been lent by Tate to the National Gallery and vice versa to this end.

Tate has loaned works of art to the following organisations during the financial year 1999–2000, which have the Department for Culture, Media and Sport as a parent Department:

- English Heritage
- Imperial War Museum
- National Gallery
- National Portrait Gallery
- South Bank Centre
- Victoria & Albert Museum
- British Museum
- National Maritime Museum

Tate has borrowed works of art from the following organisations during the financial year 1999–2000, which have the Department for Culture, Media and Sport as a parent Department:

British Library
British Museum
National Gallery
National Museums and Galleries on Merseyside (Walker Art Gallery, Lady Lever Art Gallery)
Imperial War Museum
English Heritage
National Portrait Gallery
Sir John Soane's Museum
Victoria & Albert Museum

John Studzinski is a Trustee of Sir John Soane's Museum and Tate, and Jon Snow is a Trustee of the National Gallery and Tate.

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