

MUSEUMS AND GALLERIES ACT 1992

Accounts, prepared pursuant to c.44 para 9(8) of the Museums and Galleries Act 1992, for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons paper No. 1157 of 2001-2002).

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

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# The Board of Trustees of the Tate Gallery Account 2002-2003

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 17 SEPTEMBER 2003

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## Trustees and Advisers

### Membership of the Board of Trustees

David Verey (Chairman)  
Professor Dawn Ades  
Helen Alexander (appointed January 2003)  
Victoria Barnsley  
Sir Richard Carew Pole  
Sir Howard Davies (appointed May 2002)  
Professor Jennifer Latta  
Sir Christopher Mallaby (retired November 2002)  
Chris Ofili  
Julian Opie  
Jon Snow  
John Studzinski  
Gillian Wearing

### 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

### Subsidiaries

Grant Thornton  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

### 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The Museums and Galleries Act, 1992, which repealed the 1954 Act, established the Board of Trustees of the Tate Gallery as a corporate body and added it to the list of exempt charities under the 1960 Charities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. Although the maximum term of appointment is five years, Trustees are usually appointed for four years and may be re-appointed for a further term.

The Trustees are listed on page 4. The Board has a number of formal sub-committees, whose members comprise both Trustees and non-Trustees (membership as of 31 March 2003)

- The Finance & Audit Committee (Sir Howard Davies (Chair), David Verey, John Studzinski, Helen Alexander, Victoria Barnsley and Philip Hampton).

The Trustees appointed AHL Ltd to provide internal audit services to Tate for five years from 1 April 2003; the internal auditors report to the Trustees via the Finance and Audit Committee. Internal audit services during the year were provided by KPMG.

- The Building Committee (Sir Richard Carew Pole (Chair), Richard Burdett, Sir Stuart Lipton, Paul Myners, Doug Weston and Bill Woodrow) is a permanent committee authorised by the Board of Trustees to review all building projects and appoint consultants for formal approval by the Board.

- Tate Councils

Tate Liverpool Council (Jennifer Latto (Chair), Jim Davies, Mike Davies, Beatrice Fraenkel, Andy Gill, Lubaina Himid, Aileen McEvoy, Sue Poole, Suraj Sharma, Alistair Sunderland and David Wade-Smith)

Tate St Ives Council (Paul Myners (Chair), John Aitken, Frank Chapman, Chris S Cocklin, Caroline Dudley, Pippa M Englefield, David Falconer, Henry C Gilbert, Charlotte Hill, Lady Carol Holland, Norman P Laity, Jenni Lomax, Andrew P Mitchell, Mike O'Donnell and WH Roberts)

Tate Modern Council (Jon Snow (Chair), Dawn Ades, Brian Boylan, James Cuno, Noam Gottesman, Lady Sue Hollick, Jeremy King, Maja Oeri, Chris Ofili, Julian Opie and Vittorio Radice)

Tate Britain Council (Sir Richard Carew Pole (Chair), Brian Allen, David Batchelor, Alan Bradley, Sir Howard Davies, Andrew Marr, Lynda Nead, Cornelia Parker, Sir William Proby, Toshio Watanabe and Gillian Wearing)

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 2003 the Director's Group comprised

Nicholas Serota	Director
Alex Beard	Deputy Director
Jennifer Cormack	Head of Trusts and Public Sector Fundraising
Susan Daniel McElroy	Director St Ives
Stephen Deuchar	Director Tate Britain
Jim France	Director of Collection and Research Services
Will Gompertz	Director of Communications
Christoph Grunenberg	Director Tate Liverpool
Bruce Jackson	Acting Head of Planning
Sian Williams	Director of Finance and Resources
Peter Wilson	Director of Projects & Estates

### Subsidiary undertakings

The results of Tate's trading subsidiary is summarised in Note 9 to the financial statements, together with other consolidated companies.

### Connected charities

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

Tate Foundation seeks to promote the charitable purposes of Tate.

During the year Tate Foundation made donations to Tate of £1,646,566 (£449,578 in 2001-2002). The balance of funds held by Tate Foundation at 31 March 2003 was £7,124,330 (£6,805,553 in 2001-2002).

### Aims, goals and values

Tate has seven principal aims, underpinned by the institution's guiding mission to increase knowledge, understanding and appreciation of British art from the sixteenth century to the present day and of international modern and contemporary art. These are to

- Strengthen and extend the collections;
- Present an innovative and authoritative range of exhibitions and other programmes;
- Serve existing visitors better, broaden the social range of Tate's audiences and develop new audiences beyond the galleries;
- Improve present galleries and add new facilities to improve care of the collections and to accommodate new activities;
- Create new partnerships in order to reach new audiences and to strengthen Tate's financial position;
- Give a greater sense of ownership to all visitors, members, supporters and associates; and
- Make more effective use of resources by working together effectively, increase the diversity of staff and improve working conditions and job satisfaction.

In seeking to achieve these aims, Tate has three key goals which are to

- Do the things that Tate already does well, better;
- Extend Tate's programmes and the experiences offered to visitors; and
- Reach more people through partnerships and publishing - on and offline.

The federal structure of Tate is an essential facet of the organisation's ambitions. As a single organisation, Tate can share assets and risks, achieve greater external impact and gain from a common approach in its programmes.

## Review of 2002-2003 and future developments

The following summary describes progress made in relation to Tate's seven principal aims in the past financial year. Since last year, Tate has

### **As part of the aim to strengthen and extend collections...**

- Added a number of important works of art to the collections, including works by Calder, van Dyck and Whiteread;
- Restored the Turner displays at Tate Britain to full strength with the recovery of the two Turners, *Light and Colour* and *Shade and Darkness*, stolen while on loan in Germany in 1994;
- Through Tate's own research activities and those undertaken in collaboration with other institutions, added to the body of knowledge regarding British art from the 16th century and international modern art, including award-winning publications such as *American Sublime* and the opening of the Centre for Studies of Surrealism and its Legacies in partnership with Manchester and Essex the Universities; and
- Undertaken a range of conservation research projects that underpin Tate's commitment to caring for the collection and enhancing technical art history, such as a major international research project into the cleaning of modern paint surfaces in collaboration with the Getty Conservation Institute and the National Gallery of Art, Washington.

### **In relation to the ambition to present innovative and authoritative programmes...**

- Presented a varied and innovative programme of collections displays and exhibitions at all Tate sites, including *American Sublime*, *Lucian Freud*, *Hamish Fulton*, *Gainsborough*, *Thomas Girtin* and the *Turner Prize 2002* at Tate Britain, *Eija-Liisa Ahtila*, *Max Beckmann*, *Eva Hesse*, *MatissePicasso* and *Barnett Newman* at Tate Modern, *Remix* and *Shopping* at Tate Liverpool and *Real Life* at Tate St Ives;
- Through Tate's International Programme, brought works from the collections to audiences in Europe and the United States, including *William Turner - Licht und Farbe* in Zurich, *Whistler, Sargent & Steer: Impressionists in London from Tate Collections* in Nashville, and *Reflections of Sea and Light: Paintings and Watercolors by JMW. Turner from Tate* which visited Baltimore, Madrid and Lisbon;
- Continued to offer a world-class programme of education and interpretation, including the BAFTA award winning i-MAP on-line guide to the *MatissePicasso* exhibition; and
- Completed the second phase of the InSight programme, making available on-line 30,000 images from the works in the Turner Bequest.

### **In order to serve better existing visitors...**

- Attracted over six million visitors to Tate galleries in London, Liverpool and St Ives, despite a downturn in international tourism and increased competition from previously charging national museums and galleries;
- Provided innovative interpretation tools for visitors, including a new audio tour for visually impaired visitors at Tate Britain and the BAFTA award winning multi-media tour of Tate Modern;
- In partnership with BT, further developed Tate Online as the most visited art website in the UK with two million visitors a year. Tate Online won Best Tourism Website at the London Tourism Awards 2002;

- Added new titles and products to the range of publications and merchandise on offer through Tate's retail outlets; and
- Set new standards for in-house catering at Tate sites. Having taken on the running of the café at Tate St Ives, Tate Catering now provides the catering at all Tate sites and for Tate events and has been acclaimed as a model for modern mass catering.

#### **In pursuit of the aim to improve our present galleries and add new facilities...**

- Opened, in May 2002, the new Hyman Kreitman Research Centre at Tate Britain, greatly improving access to Tate's library and archive material for specialist users;
- Continued to refine the estates strategy for future building development, including a Collection Centre at Tate's Store in Southwark and future projects at Tate Modern, Tate Britain, Tate Liverpool and Tate St Ives; and
- Commissioned a comprehensive visitor audit to inform improvements to access and facilities at Tate Modern.

#### **As part of our partnership ambition...**

- Developed programme strands through partnerships with leading arts organisations, including film programmes with the *bfi*, *Live Culture* in association with the Live Art Development Agency, and educational and research collaborations with institutions such as the City Literary Institute, Birkbeck College and Manchester and Essex universities;
- Worked with sponsors to realise opportunities to support Tate, including a programme of live events across London as part of *Tate & Egg Live*, media partnerships, programme sponsorship such as Ernst & Young's support for *Matisse Picasso*, BP's association with the collection displays at Tate Britain and BT's sponsorship of the displays at Tate Modern and of Tate Online the Unilever Series of Turbine Hall commissions at Tate Modern, and a commercial partnership with B&Q; and
- Continued to share both Tate's collections and expertise with regional museums and galleries through our loans programme and the National Partnership Scheme with our five regional partners, Abbot Hall, Kendal and Blackwell, The Castle Museum, Norwich, Sheffield Art Galleries and Museums Trust, The Potteries Museum & Art Gallery, Stoke on Trent and The New Art Gallery, Walsall.

#### **In pursuit of the aim to give a greater sense of ownership to all visitors, supporters and associates...**

- Started to implement a high-level external relations strategy to strengthen relationships with key stakeholders and supporters;
- Negotiated a groundbreaking copyright agreement with the Design and Artists Copyright Society allowing the public to view key iconic works from the collections on Tate Online for non-commercial, cultural and educational purposes;
- Introduced an on-line ticket booking facility for Tate shows;
- Increased the number of Tate members to circa 57,000; and
- Relunched the art magazine *TATE* under the guidance of a new editorial team and publisher.

#### **In order to make more effective use of resources...**

- Achieved a small surplus in 2002-2003 and delivered a balanced budget for 2003-2004;
- Reshaped the senior management team and appointed a new Director of Tate Modern, Director of Collections and Director of Communications;
- Undertook reviews of corporate governance and key operational processes;
- Commissioned a comprehensive job evaluation exercise to inform development of a new pay and benefit structure for Tate staff;
- Following a Health and Safety audit of Tate Modern by the British Safety Council, the gallery was awarded a four star rating; and

- Piloted diversity training for Front of House staff as part of Tate's on-going commitment to promoting diversity.

## Employee involvement and disabled persons

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

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

Pay negotiations are conducted through a Tate Negotiating Committee at which the three unions FDA, PCS and Prospect 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 2002-2003 80% (81% in 2001-2002) of invoices were settled in 30 days or less.

## Financial review

### **Presentation of the financial statements**

The accounts have been prepared in accordance with the Statement of Recommended Practice (the SORP) 'Accounting and Reporting for Charities' (issued October 2000) and in compliance with the Accounts Directions issued by the Secretary of State for Culture, Media and Sport.

The Consolidated Statement of Financial Activities set out on page 16 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 Summary 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 15 shows an operating surplus on unrestricted funds of £98,000 (£251,000 in 2001-2002) and nil on restricted funds (surplus of £1,000 in 2001-2002), making a total surplus of £98,000 for the year (£252,000 in 2001-2002).

The Consolidated Statement of Financial Activities on page 16 shows incoming resources of £88,036,000 (£81,445,000 in 2001-2002). Of this amount £14,248,000 (£20,170,000 in 2001-2002) was restricted to the on-going capital programme, £517,000 (£539,000 in 2001-2002) represents investment income on the insurance fund and £8,298,000 (£4,842,000 in 2001-2002) was applied to Collection acquisitions. The £64,974,000 (£55,894,000 in 2001-2002) remaining was used to fund ongoing operations.

Funds carried forward of £309,894,000 (£294,968,000 in 2001-2002) can be analysed as follows

	<b>2003</b>	2002 (restated)
	<b>£000</b>	£000
Capital reserves	<b>247,469</b>	246,364
Works of Art reserves	<b>17,159</b>	6,379
Revaluation reserve	<b>14,103</b>	9,550
Other restricted reserves	<b>22,850</b>	24,346
Endowments	<b>306</b>	420
General funds	<b>8,007</b>	7,909
	<b><u>309,894</u></b>	<u>294,968</u>

### Performance indicators

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

<b>Indicator</b>	<b>Target</b>	<b>Actual</b>
<b>Core targets</b>		
Number of visitors (000s)	5,200	6,333
Children (000s)	700	941
Seniors (000s)	650	730
Repeat visitors (000s)	3,000	3,655
Take up of educational programme (000s)	400	404
Website visits (000s)	2,000	2,065
Percentage of time open	70%	69%
National loan venues	90	60
International loan venues	110	94
Percentage of collection internet accessible	90%	100%
Percentage of space at right environmental quality	90%	89%
Grant in Aid per visitor	£5.34	£4.39
Average number of days lost sick per employee	8	10
<b>Tate targets</b>		
Visitor satisfaction levels	90%	93%
Number of Tate Partners	5	5
Self-generated income as a percentage of total revenue income	40%	44%
Percentage of pay-bill spent on training	2%	2%

### Fixed assets

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

The freeholds of the gallery and land at Millbank, London and the Barbara Hepworth Museum at St Ives, were transferred from the Secretary of State for the Environment to the Board of Trustees of the Tate Gallery on 14 December 1994. The Trustees hold the property on the Liverpool site on a long lease.

Tate St Ives was constructed for and is owned by Cornwall County Council; the Board of Trustees of the Tate Gallery manages the gallery on behalf of Cornwall County Council. Tate Modern is held under a finance lease entered into in October 1998, the principal elements of which are described in note 17 to the accounts. The Trustees purchased the freehold of the fine Art Store at Southwark on 31 March 1999.

In accordance with Treasury requirements a valuation of the Trustees' property holdings, excluding works in progress at Tate Modern, was undertaken at 31 March 1999 by a firm of independent chartered surveyors. Where material the changes in value were reflected in the Balance Sheet and the Statement of Financial Activities. Assets are stated at current cost in the accounts and indexed annually when no formal valuation is undertaken, this results in a revaluation reserve which currently amounts to £14,103,000.

Additions to fixed assets of £14,564,000 (£17,887,000 in 2001-2002) comprise £11,287,000 of Works of Art, £2,018,000 in relation to buildings and £1,259,000 on other assets. Works of Art include items donated, bequeathed or given in lieu of tax to Tate with an approximate value of £4,176,000 (£1,557,000 in 2001-2002). All Works of Art acquired during the year have been capitalised in accordance with Executive NDPB Annual Reports and Accounts Guidance, as detailed in note 8.

### **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.

In February 1999 the Trustees took the view that stolen works do normally reappear eventually and purchased title to the stolen paintings from the insurers at a price significantly below the original £24 million of proceeds. The purchase guaranteed that the works would be restored to the Turner Bequest should they re-emerge while allowing the balance of funds to be utilised for the benefit of the Bequest.

In December 2002 the paintings were restored to the Turner Bequest. The advice of the Charity Commission has been sought as to the precise status of the balance of the funds and its application in the longer term. As a first step, an interest free loan of £7 million has been made from this restricted fund to general funds to acquire the freehold of Tate's fine art store in Southwark. The Department for Culture, Media and Sport and the Charity Commission have approved this arrangement.

### **Reserves policy**

Tate maintains reserves to provide for unforeseen expenditure and to provide working capital. Tate aims to maintain the real value of its general reserves, which are currently £8,007,000. All other reserves are maintained at a level appropriate for their intended purpose. The Trustees periodically review the policy and level of reserves to assess its adequacy.

### **Investments**

The Trustees' investment policy is governed by the Trustees Act 2000, and its objective is to sustain fund growth at a level equal to or above inflation using a 'medium risk' investment strategy and generating an annual real rate of return of 3.5%. This objective is to be achieved by investing through a third party investment profile manager, who will advise on the investment required to meet the objective. Following a competitive tendering process Tate appointed Coutts to act as investment managers from October 2002. Restricted funds and permanent endowments have been invested in a programme managed by Coutts to adhere to the Trustees' investment policy. Funds previously held at the Public Trust Office have been transferred during the year.

### **Post balance sheet events**

There are no material post balance sheet events.

*Nicholas Serota*  
Director and Accounting Officer, Tate

16 July 2003

*David Verey*  
Chairman, Tate

16 July 2003

## 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Tate will continue its operation.

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

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 and Accounting Officer, Tate

16 July 2003

*David Verey*  
Chairman, Tate

16 July 2003

# Statement on Internal Control

## 1 Scope of responsibility

As Accounting Officer and Trustees, we have responsibility for maintaining a sound system of internal control that supports the achievement of Tate's policies, aims and objectives, under the authority of the Board of Trustees, whilst safeguarding the public funds and assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to us in Government Accounting and ensuring compliance with the requirements of the Financial Memorandum.

## 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 Tate 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 Tate for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3 Capacity to handle risk

Risk management is implicit in Tate systems and procedures. Risk is regularly considered and discussed at Director's Group meetings and appropriate action taken as necessary. A risk workshop has been held for Tate managers and risk is regularly discussed at a department head level.

## 4 The risk environment

In Tate the main processes which we have in place for identifying, evaluating, and managing risk are

- A comprehensive budgeting and planning system with an annual budget and plan which is reviewed and agreed by the Board of Trustees;
- Regular reviews by the Board of Trustees of periodic and annual reports which indicate performance against objectives and performance indicators;
- Clearly defined capital investment control guidelines and formal project control disciplines; and
- Maintenance of a risk register at departmental and overall level including formal approval of high level risks by Trustees.

Our management of risk is embedded in policymaking, planning and delivery by including it as a fundamental part of the annual planning and budgeting round.

## 5 Review of effectiveness

As Accounting Officer and Trustees, we also have 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 internal auditors and the executive managers within Tate 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. We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board, the Finance and Audit Committee and a plan to ensure continuous improvement of the system is in place.

The Board of Trustees has contracted 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 the 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 us. At least annually, the auditors provide me with a report on internal audit activity in Tate. The report includes the auditors' independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

*Nicholas Serota*  
Director and Accounting Officer, Tate

16 July 2003

*David Verey*  
Chairman, Tate

16 July 2003

## 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 15 to 34 under the Museums and Galleries Act 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 20 to 22.

### Respective responsibilities of the Trustees, the Director and Auditor

As described on page 10, the Trustees and Director of the Tate Gallery as Accounting Officer are responsible for the preparation of the financial statements in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder and for ensuring the regularity of financial transactions. The Trustees and 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 thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Tate Gallery has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 11 and 12 reflects the Tate Gallery's compliance with Treasury's guidance 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### Basis of audit opinion

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

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

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Tate Gallery at 31 March 2003 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 directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

17 September 2003

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

## Consolidated Summary Income and Expenditure Account for the year ended 31 March 2003

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2003 Total £000	2002 Total £000
<b>Income</b>						
Grant in aid	2	27,179	-	-	<b>27,179</b>	26,755
Lottery and other public funding	3	-	70	-	<b>70</b>	131
Admissions		5,550	-	-	<b>5,550</b>	3,863
Sponsorship and donations		3,760	970	-	<b>4,730</b>	4,233
Trading income	9	21,622	-	-	<b>21,622</b>	17,482
Fees and other income		5,398	-	-	<b>5,398</b>	2,924
Investment income	4	421	4	-	<b>425</b>	506
		<u>63,930</u>	<u>1,044</u>	<u>-</u>	<b><u>64,974</u></b>	<u>55,894</u>
<b>Expenditure</b>						
Other operating costs	6	63,832	1,044	-	<b>64,876</b>	55,642
		<u>63,832</u>	<u>1,044</u>	<u>-</u>	<b><u>64,876</u></b>	<u>55,642</u>
<b>Operating surplus/(deficit)</b>		<u>98</u>	<u>-</u>	<u>-</u>	<b><u>98</u></b>	<u>252</u>

### Note

#### Contributions of Capital Income for the year ended 31 March 2003

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2003 Total £000	2002 Total £000
<b>Income applied to capital</b>						
Grant in aid	2	600	-	-	<b>600</b>	-
Lottery and other public funding	3	-	4,431	-	<b>4,431</b>	1,647
Sponsorship and donations		1	5,366	-	<b>5,367</b>	10,560
Donations of works of art		-	4,176	-	<b>4,176</b>	1,557
Fees and other income		116	361	-	<b>477</b>	3,146
Trading income	9	2,596	-	-	<b>2,596</b>	2,543
Investment income	4	-	5,415	-	<b>5,415</b>	6,098
Total income applied to capital projects		<u>3,313</u>	<u>19,749</u>	<u>-</u>	<b><u>23,062</u></b>	<u>25,551</u>
Tate Modern lease charge		-	(4,700)	-	<b>(4,700)</b>	(5,786)
Collection acquisitions/insurance/other		(267)	(2,011)	-	<b>(2,278)</b>	(524)
Depreciation	5	(1,415)	(4,325)	-	<b>(5,740)</b>	(5,451)
<b>Net capital income</b>		<u>1,631</u>	<u>8,713</u>	<u>-</u>	<b><u>10,344</u></b>	<u>13,790</u>

The Board of Trustees views the Consolidated Summary Income and Expenditure Account as the primary financial statement for their purposes. This statement, in conjunction with the Contributions of Capital Income note, reconciles to the Consolidated Statement of Financial Activities on page 16.

The notes on pages 20 to 34 form part of the accounts

## Consolidated Statement of Financial Activities for the year ended 31 March 2003

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2003 Total £000	2002 Total £000
<b>Incoming resources</b>						
<i>Activities in furtherance of charity's objectives</i>						
Grant in aid	2	27,779	-	-	<b>27,779</b>	26,755
Lottery and other public funding	3	-	4,501	-	<b>4,501</b>	1,778
Admissions		5,550	-	-	<b>5,550</b>	3,863
Sponsorship and donations		3,761	6,336	-	<b>10,097</b>	14,793
<i>Activities for generating funds</i>						
Trading income	9	24,218	-	-	<b>24,218</b>	20,025
Fees and other income		5,514	361	-	<b>5,875</b>	6,070
<i>Donations, legacies and similar income</i>						
Donations of works of art		-	4,176	-	<b>4,176</b>	1,557
Investment income	4	421	5,419	-	<b>5,840</b>	6,604
<b>Total incoming resources</b>		67,243	20,793	-	<b>88,036</b>	81,445
<b>Resources expended</b>						
<i>Costs in furtherance of charity's objectives</i>						
Collection purchases, care and enhancement Public programme		5,306	2,120	-	<b>7,426</b>	5,205
Tate Britain		13,879	1,435	-	<b>15,314</b>	13,091
Tate Modern		15,316	8,085	-	<b>23,401</b>	22,969
Tate Liverpool		3,533	226	-	<b>3,759</b>	3,342
Tate St Ives		1,540	118	-	<b>1,658</b>	1,512
National Programme		976	58	-	<b>1,034</b>	995
		40,550	12,042	-	<b>52,592</b>	47,114
<i>Costs of generating funds</i>						
Fund-raising and publicity		2,665	18	-	<b>2,683</b>	2,432
Trading costs	9	19,504	-	-	<b>19,504</b>	16,145
<i>Management and administration</i>		2,795	20	-	<b>2,815</b>	1,712
		24,964	38	-	<b>25,002</b>	20,289
<b>Total resources expended</b>		65,514	12,080	-	<b>77,594</b>	67,403
<b>Net incoming resources before transfers</b>	5	1,729	8,713	-	<b>10,442</b>	14,042
Notional costs	7	(9,166)	-	-	<b>(9,166)</b>	(8,142)
Net incoming resources after notional costs		(7,437)	8,713	-	<b>1,276</b>	5,900
Reversal of notional costs		9,166	-	-	<b>9,166</b>	8,142
<b>Net incoming resources for the year</b>		1,729	8,713	-	<b>10,442</b>	14,042
Gain/(loss) on investment assets		-	(73)	(114)	<b>(187)</b>	(4)
Gain/(loss) on revaluation of tangible fixed assets		29	4,642	-	<b>4,671</b>	2,872
<b>Net movement of funds</b>		1,758	13,282	(114)	<b>14,926</b>	16,910
Funds brought forward at 1 April 2002	13	24,707	269,841	420	<b>294,968</b>	278,058
<b>Funds carried forward at 31 March 2003</b>		26,465	283,123	306	<b>309,894</b>	294,968

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 20 to 34 form part of the accounts

## Consolidated Balance Sheet at 31 March 2003

	Notes	2003 £000	2002 (restated) £000
<b>Fixed assets</b>			
Tangible assets	8	292,640	279,414
Investments	4	13,544	431
		<b>306,184</b>	279,845
<b>Current assets</b>			
Tate Modern security deposit	17	114,914	113,191
Stocks		2,393	2,692
Debtors and prepayments	10	7,958	6,366
Cash and liquid resources		19,728	30,809
		<b>144,993</b>	153,058
<b>Creditors: amounts falling due within one year</b>	11	<b>(16,162)</b>	(19,954)
<b>Net current assets</b>		<b>128,831</b>	133,104
<b>Total assets less current liabilities</b>		<b>435,015</b>	412,949
<b>Creditors: amount falling due after one year</b>	11	<b>(125,121)</b>	(117,981)
<b>Total assets less liabilities</b>		<b>309,894</b>	294,968
<i>Represented by</i>			
<b>Income funds</b>			
Restricted reserves	13	283,123	269,841
Unrestricted reserves			
Designated	13	21,176	17,784
General	13	5,289	6,923
<b>Total income funds</b>		<b>309,588</b>	294,548
<b>Endowments</b>	13	<b>306</b>	420
<b>Total funds</b>		<b>309,894</b>	294,968

The financial statements on pages 15 to 34 were approved by the Trustees on

Nicholas Serota  
Director and Accounting Officer, Tate

16 July 2003

David Verey  
Chairman, Tate

16 July 2003

The notes on pages 20 to 34 form part of the accounts

## Tate Balance Sheet at 31 March 2003

	Notes	2003 £000	2002 (restated) £000
<b>Fixed assets</b>			
Tangible assets	8	291,212	278,284
Investments		13,544	431
		<b>304,756</b>	278,715
<b>Current assets</b>			
Tate Modern security deposit	17	114,914	113,191
Debtors and prepayments	10	12,264	10,900
Cash and liquid resources		13,707	24,840
		<b>140,885</b>	148,931
<b>Creditors: amounts falling due within one year</b>	11	<b>(14,043)</b>	(19,196)
Net current assets		<b>126,842</b>	129,735
Total assets less current liabilities		<b>431,598</b>	408,450
<b>Creditors: amount falling due after one year</b>	11	<b>(125,121)</b>	(117,981)
Total assets less liabilities		<b>306,477</b>	290,469
<i>Represented by</i>			
<b>Income funds</b>			
Restricted reserves		283,102	268,885
Unrestricted reserves			
Designated		17,324	15,917
General		5,745	5,247
<b>Total income funds</b>		<b>306,171</b>	290,049
<b>Endowments</b>		<b>306</b>	420
<b>Total funds</b>		<b>306,477</b>	290,469

Nicholas Serota  
Director and Accounting Officer, Tate

16 July 2003

David Verey  
Chairman, Tate

16 July 2003

*The notes on pages 20 to 34 form part of the accounts*

## Consolidated Cash Flow Statement for the year ended 31 March 2003

	Notes	<b>2003</b>	2002 (restated)
		<b>£000</b>	£000
<b>Net cash inflow/(outflow) from operating activities</b>	15	<b>7,835</b>	17,034
<i>Returns on investments and servicing of finance</i>			
Interest received		<b>4,581</b>	5,463
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>4,581</b>	5,463
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		<b>(8,474)</b>	(14,943)
Purchase of fixed asset investments		<b>(26,719)</b>	-
Proceeds from sale of investments		<b>13,419</b>	-
<b>Net cash inflow/(outflow) from capital expenditure</b>		<b>(21,774)</b>	(14,943)
<b>Management of liquid resources</b>	15(iii)	<b>6,257</b>	(9,421)
<b>Increase/(decrease) in cash</b>		<b>(3,101)</b>	(1,867)

*The notes on pages 20 to 34 form part of the accounts*

# Notes to the Accounts

## 1 Accounting policies

### *Basis of accounting*

The financial statements are prepared under the historical cost convention as modified for the revaluation of certain fixed assets and the inclusion of investments at market value. The accounts comply with the requirements of the Companies Act 1985, the Statement of Recommended Practice (the SORP) 'Accounting and Reporting for Charities' (issued October 2000) 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*

In general 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 and statement of financial activities in the year it is paid.

Sponsorship and donation income, including 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 costs in furtherance of the charity's objectives and the costs of generating funds.

Costs in furtherance of the charity's objectives comprise 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. Also included are 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.

Other expenditure comprises fund-raising and publicity costs, being those costs incurred in seeking donations and sponsorships for Tate activities, and trading costs.

### *The Collection*

In accordance with Executive NDPB Annual Reports and Accounts Guidance, additions to the Collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine.

### *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

Buildings	20 to 90 years
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.

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end. Transactions in foreign currencies are translated at the rate ruling at the time of transaction.

#### *Finance and operating leases*

Costs in relation to operating leases are charged to the statement of financial activity over the life of the lease.

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

#### *Pensions*

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Tate is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2002-2003, employers' contributions of £1,758,000 were payable to the PCSPS (2001-2002 £1,826,000) at one of four rates in the range of 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,000 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £113,000, 0.8 per cent 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. There were no contributions due to the partnership pension providers at the balance sheet date. There were no contributions prepaid at that date.

Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The department recognises the expected cost 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 department recognises the contributions payable for the year.

Tate Enterprises Group operates money purchase pension schemes. The assets of the scheme are held separately from those of the group in an independently administered fund. The amounts charged against profit represent the contributions payable to the scheme in respect of the accounting period. Pension contributions of £283,000 were made in the year (2001-2002 £330,000).

*Fund accounting*

Tate maintains general, designated, restricted and endowment funds as set out in note 13.

*Taxation*

Tate has no sources of income liable to corporation tax and no provision has therefore been made. The taxable profits of Tate Enterprises Limited are paid to Tate under Gift Aid rules and no tax liability is expected for the year ending 31 March 2003.

**2 Grant-in-aid**

Grant-in-aid of £27,779,000 has been received during the year from the Department for Culture, Media and Sport (£26,755,000 in 2001-2002). This money is available to fund running costs, capital improvements and Collections acquisitions.

**3 Lottery and other public funding**

	<b>2003</b>	2002
	<b>£000</b>	£000
European Regional Development Fund	-	150
Arts Council of England	<b>44</b>	1,200
Heritage Lottery Fund	<b>4,230</b>	345
Department for Education	-	9
London Arts	<b>5</b>	-
South West Arts	<b>3</b>	-
Museums Libraries and Archives Government Resource	-	1
New Opportunities Fund	<b>219</b>	73
	<b>4,501</b>	1,778

*Of which the following is taken to (see page 15)*

Income and expenditure account	<b>70</b>	131
Statement of capital income	<b>4,431</b>	1,647

**4 Investments and investment income**

	<b>2003</b>	2002
	<b>£000</b>	£000
Bank interest	<b>5,649</b>	6,595
Income on quoted investments	<b>191</b>	9
	<b>5,840</b>	6,604

Unrealised gains and losses are included in the Statement of Financial Activities.

	2002 Market value £000	Invested in year £000	Movement in year £000	2003 Market value £000
Charifund	11	(9)	(2)	-
Endowments administered by the Public Trustee	420	(262)	(117)	41
<i>Investment portfolio</i>				
UK fixed interest	-	5,298	76	5,374
Non-UK fixed interest	-	905	75	980
UK equities	-	4,617	(167)	4,450
Non-UK equities	-	2,324	(82)	2,242
UK money market deposits	-	427	30	457
<b>Total</b>	<b>431</b>	<b>13,300</b>	<b>(187)</b>	<b>13,544</b>

## 5 Net incoming resources

are stated after charging

	2003 £000	2002 £000
Auditors' remuneration	56	58
Taxation advice	37	37
<i>Operating lease rentals</i>		
Land and buildings	87	87
Vehicles and equipment	67	68
Depreciation	5,740	5,451
Loss on disposal of fixed assets	269	64

## 6 Total resources expended

	Staff costs £000	Other direct costs £000	Depreciation £000	2003 Total £000	2002 Total £000
<b>Costs in furtherance of charity's objectives</b>					
Collection purchases, care and enhancement	3,088	3,807	531	7,426	5,205
<i>Public programme</i>					
Tate Britain	6,078	7,825	1,411	15,314	13,091
Tate Modern	5,121	15,272	3,008	23,401	22,969
Tate Liverpool	1,625	1,957	177	3,759	3,342
Tate St Ives	744	893	21	1,658	1,512
National Programme	767	227	40	1,034	995
	17,423	29,981	5,188	52,592	47,114
<b>Costs of generating funds</b>					
Fund-raising and publicity	1,816	792	75	2,683	2,432
Costs of trading	6,797	12,306	401	19,504	16,145
Management and administration	1,195	1,544	76	2,815	1,712
	9,808	14,642	552	25,002	20,289
<b>Total resources expended</b>	<b>27,231</b>	<b>44,623</b>	<b>5,740</b>	<b>77,594</b>	<b>67,403</b>

Direct costs of Tate Modern include £4,700,000 (£5,786,000 in 2001-2002) relating to the finance lease payment, which is offset by interest earned on the Tate Modern Deposit.

*a Staff costs*

	<b>2003</b>	2002
	<b>£000</b>	£000
Wages and salaries	<b>21,494</b>	20,188
Pension costs	<b>2,161</b>	2,156
Social Security costs	<b>1,493</b>	1,472
Restructuring	<b>272</b>	26
Employee costs	<b>25,420</b>	23,842
Agency staff costs	<b>1,811</b>	1,632
	<b>27,231</b>	25,474

The Chairman and other Trustees received no remuneration; Trustees received reimbursement of expenses amounting to £1,454 in 2002-2003 (£1,715 in 2001-2002).

The Director's total remuneration in 2002-2003 including pension contributions amounted to £202,291, comprising £126,333 salary, £52,586 bonus and £23,372 pension contribution (£141,726 in 2001-2002, comprising £119,600 salary and £22,126 pension contributions).

The Director's current service contract commenced on 1 September 2002 and expires on 31 August 2009.

**Directors pension disclosure**

	<b>2003</b>	2002
	<b>£000</b>	£000
Age	<b>56</b>	55
Basic pay at 31 March 2003	<b>128</b>	120
Pension increase (net of inflation)	<b>3</b>	2
Accrued pension	<b>36</b>	32

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows

	<b>2003</b>	2002
	<b>No.</b>	No.
£50,000 - £59,999	7	9
£60,000 - £69,999	4	3
£70,000 - £79,999	1	2
£80,000 - £89,999	1	1
£110,000 and above	1	1

The average number of employees during the year was 1,161 (1,115 in 2001-2002).

The breakdown of employees at the year end by occupational group was

	<b>2003</b>	2002
	<b>No.</b>	No.
Collection purchases, care and enhancement	<b>107</b>	100
<i>Public programme</i>		
Tate Britain	<b>228</b>	230
Tate Modern	<b>184</b>	179
Tate Liverpool	<b>75</b>	69
Tate St Ives	<b>38</b>	39
National Programme	<b>22</b>	21
Fund-raising and publicity	<b>52</b>	51
Trading	<b>450</b>	414
Management and administration	<b>18</b>	17
	<b>1,174</b>	1,120

## 7 Notional costs

Notional cost of capital is £9,166,000 (£8,142,000 in 2001-2002), calculated as 6% of the average capital employed by Tate in the year, less an amount equal to assets originally donated.

## 8 Fixed assets

<i>Group</i>	<b>Assets in the course of construction</b>	<b>Land</b>	<b>Buildings</b>	<b>Finance lease</b>	<b>Works of Art</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Value at 1 April 2002	5,000	60,172	92,016	120,650	7,365	8,411	293,614
Additions at cost	-	-	2,018	-	11,287	1,259	14,564
Transfer of assets	(4,761)	-	4,761	-	-	-	-
Valuation of assets	-	1,957	2,966	-	-	-	4,923
Disposals	(239)	-	(1)	-	-	(539)	(779)
<b>Value at 31 March 2003</b>	<b>-</b>	<b>62,129</b>	<b>101,760</b>	<b>120,650</b>	<b>18,652</b>	<b>9,131</b>	<b>312,322</b>
Depreciation at 1 April 2002	-	-	4,530	4,826	-	4,844	14,200
Charge for the year	-	-	1,692	2,413	-	1,635	5,740
Valuation of assets	-	-	252	-	-	-	252
Disposals	-	-	-	-	-	(510)	(510)
<b>Depreciation at 31 March 2003</b>	<b>-</b>	<b>-</b>	<b>6,474</b>	<b>7,239</b>	<b>-</b>	<b>5,969</b>	<b>19,682</b>
<b>Net book value at 31 March 2003</b>	<b>-</b>	<b>62,129</b>	<b>95,286</b>	<b>113,411</b>	<b>18,652</b>	<b>3,162</b>	<b>292,640</b>
Net book value at 1 April 2002	5,000	60,172	87,486	115,824	7,365	3,567	279,414

*Tate*

	<b>Assets in the course of construction £000</b>	<b>Land £000</b>	<b>Buildings £000</b>	<b>Finance lease £000</b>	<b>Works of Art £000</b>	<b>Other £000</b>	<b>Total £000</b>
Value at 1 April 2002	5,000	60,172	91,236	120,650	7,365	6,047	290,470
Additions at cost	-	-	2,017	-	11,287	532	13,836
Transfer of assets	(4,761)	-	4,761	-	-	-	-
Valuation of assets	-	1,957	2,966	-	-	-	4,923
Disposal	(239)	-	(1)	-	-	(478)	(718)
<b>Value at 31 March 2003</b>	<b>-</b>	<b>62,129</b>	<b>100,979</b>	<b>120,650</b>	<b>18,652</b>	<b>6,101</b>	<b>308,511</b>
Depreciation at 1 April 2002	-	-	4,010	4,826	-	3,350	12,186
Charge for the year	-	-	1,636	2,413	-	1,290	5,339
Valuation of assets	-	-	252	-	-	-	252
Disposal	-	-	-	-	-	(478)	(478)
<b>Depreciation at 31 March 2003</b>	<b>-</b>	<b>-</b>	<b>5,898</b>	<b>7,239</b>	<b>-</b>	<b>4,162</b>	<b>17,299</b>
<b>Net book value at 31 March 2003</b>	<b>-</b>	<b>62,129</b>	<b>95,081</b>	<b>113,411</b>	<b>18,652</b>	<b>1,939</b>	<b>291,212</b>
Net book value at 1 April 2002	5,000	60,172	87,226	115,824	7,365	2,697	278,284

In accordance with Treasury requirements land and buildings were valued at the 31 March 1999 by an independent firm of Chartered Surveyors and re-stated as at the 31 March 2003 in accordance with Modified Historical Cost requirements. Works of Art are excluded from this requirement.

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 2003 represents fixed assets for

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Finance lease £000</b>	<b>Works of Art £000</b>	<b>Other £000</b>	<b>Total £000</b>
<b>Group</b>						
Charitable activities	62,129	95,081	113,411	18,652	1,939	<b>291,212</b>
Other activities	-	205	-	-	1,223	<b>1,428</b>
	<b>62,129</b>	<b>95,286</b>	<b>113,411</b>	<b>18,652</b>	<b>3,162</b>	<b>292,640</b>
<b>Tate</b>						
Charitable activities	62,129	95,081	113,411	18,652	1,939	<b>291,212</b>
Other activities	-	-	-	-	-	-
<b>Total</b>	<b>62,129</b>	<b>95,081</b>	<b>113,411</b>	<b>18,652</b>	<b>1,939</b>	<b>291,212</b>

## 9 Trading subsidiaries

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

### *Tate Gallery Publishing Limited*

Tate Gallery Publishing Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. On 1 April 2001 the business of Tate Gallery Publishing Limited along with all its tangible and other assets (but excluding cash and book debts) were transferred to Tate Enterprises Limited, a subsidiary of Tate Gallery Publishing Limited. Net assets have increased by £63,000 in the year.

*Tate Enterprises Limited*

Tate Enterprises 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 galleries, and the publishing and sale of books and other products and merchandise associated with the Collection and Tate activities.

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

	<b>2003</b>	2002
	<b>£000</b>	£000
Fixed assets	<b>1,428</b>	1,130
Current assets	<b>7,175</b>	6,648
Current liabilities	<b>(7,362)</b>	(6,366)
Net assets	<b>1,241</b>	1,412
Capital and reserves	<b>1,241</b>	1,412
	<b>1,241</b>	1,412
	<b>2003</b>	2002
	<b>£000</b>	£000
Turnover	<b>24,873</b>	21,199
Cost of sales	<b>(12,884)</b>	(11,308)
Gross profit	<b>11,989</b>	9,891
Other income	<b>590</b>	358
Administrative expenses	<b>(8,727)</b>	(7,216)
Trading profit	<b>3,852</b>	3,033
Interest payable	-	(158)
Interest receivable	<b>143</b>	81
Net contribution	<b>3,995</b>	2,956

The net contribution consists of £3,446,000 from publishing and retail operations, and £1,634,000 from catering operations, before offsetting a deficit from education services of £1,085,000. Turnover includes £567,000 of sales to Tate. Administrative expenses include £122,000 of expenditure recharged by Tate.

*Tate Gallery Projects Limited*

Tate Gallery Projects Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery. Its principal activities consist of fund-raising and project management in respect of the Tate Modern Development project. Net assets have decreased by £935,000 in the year.

## 10 Debtors

	Group		Tate	
	2003	2002 (restated)	2003	2002 (restated)
	£000	£000	£000	£000
Trade debtors	974	587	-	-
Amounts due from group companies	-	-	5,385	5,297
Other debtors	6,620	5,458	6,618	5,415
Prepayments	364	321	261	188
	<b>7,958</b>	<b>6,366</b>	<b>12,264</b>	<b>10,900</b>

## 11 Creditors: amounts falling due within one year

	Group		Tate	
	2003	2002 (restated)	2003	2002 (restated)
	£000	£000	£000	£000
Trade creditors	4,451	5,747	3,416	4,889
Obligations under finance lease (Note 17)	2,719	8,103	2,719	8,103
Accruals	4,849	1,420	4,223	1,089
Amount due to group companies	-	-	103	1,392
Other creditors	4,143	4,684	3,582	3,723
	<b>16,162</b>	<b>19,954</b>	<b>14,043</b>	<b>19,196</b>

## Creditors: amounts falling due after one year

	Group		Tate	
	2003	2002 (restated)	2003	2002 (restated)
	£000	£000	£000	£000
Obligations under finance lease (Note 17)	124,963	117,665	124,963	117,665
Deferred income	158	316	158	316
	<b>125,121</b>	<b>117,981</b>	<b>125,121</b>	<b>117,981</b>

## 12 Operating leases

At 31 March 2003 Tate had annual commitments under non-cancellable leases as follows

	Land and buildings	Other	2003	2002
	£000	£000	£000	£000
<b>Operating leases expiring within</b>				
One year	-	-	-	-
Two to five years	-	67	67	68
More than five years	87	-	87	87
	<b>87</b>	<b>67</b>	<b>154</b>	<b>155</b>

No other members of the Group hold operating leases.

**13 Statement of funds**

	Opening funds (restated)	Income	Expenditure	Gain (loss) on investment/ revaluation	Closing funds
	£000	£000	£000	£000	£000
<b>Unrestricted</b>					
<i>Designated</i>					
Works of Art	1,572	2,667	-	-	<b>4,239</b>
Buildings and equipment	15,226	646	(1,682)	29	<b>14,219</b>
	<u>16,798</u>	<u>3,313</u>	<u>(1,682)</u>	<u>29</u>	<b>18,458</b>
<i>General funds</i>	7,909	63,930	(63,832)	-	<b>8,007</b>
<b>Total unrestricted funds</b>	<u>24,707</u>	<u>67,243</u>	<u>(65,514)</u>	<u>29</u>	<b>26,465</b>
<b>Restricted</b>					
Tate Modern development	112,102	7,943	(7,194)	1	<b>112,852</b>
Buildings and equipment	119,036	3,109	(1,835)	88	<b>120,398</b>
Revaluation reserve	9,550	-	-	4,553	<b>14,103</b>
Works of Art	4,807	8,113	-	-	<b>12,920</b>
Acquisition Trust Funds	782	68	-	(2)	<b>848</b>
Other funds	23,564	1,560	(3,051)	(71)	<b>22,002</b>
	<u>269,841</u>	<u>20,793</u>	<u>(12,080)</u>	<u>4,569</u>	<b>283,123</b>
<b>Endowments</b>	420	-	-	(114)	<b>306</b>
<b>Total funds</b>	<u>294,968</u>	<u>88,036</u>	<u>(77,594)</u>	<u>4,484</u>	<b>309,894</b>

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

- Buildings and equipment - funds applied towards the purchase of equipment and building works.
- Works of Art - funds applied towards the purchase of Works of Art for the Collection.

*Restricted funds*

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

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

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

- Buildings and equipment - the value of Tate's estate vested in the Board of Trustees by the Secretary of State for the Environment and adjusted for subsequent valuations and disposals; also, restricted funds, including money from lottery and other public sources, 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 applies to both restricted and unrestricted assets, but all of the reserve is restricted.
- Works of Art - restricted funds, including money from the Heritage Lottery Fund, raised specifically for and applied to the purchase of works of art together with all donated works of art since 1 April 2001.
- Acquisition Trust Funds - a number of restricted Trust Funds for the purchase of Works of Art for the Collection.
- Knapping Fund - for the purchase for exhibition in England, Scotland and Wales of paintings in any medium, or sculpture, by artists of any nationality living at or within twenty five years of the time of purchase.
- Abbott Bequest - for the purchase of pictures and drawings by DG Rossetti or his contemporaries.
- Kahnweiler Fund - for the acquisition of works of art by Picasso, Matisse, Leger, Gris and Braque.

Other restricted funds include

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

In 1999 a decision was taken to purchase title to the stolen paintings from the insurers at a price significantly below the original £24 million of proceeds. The purchase guaranteed that the works, if they were recovered, would be restored to the Turner Bequest, while allowing the balance of funds to be utilised. A consideration of £8 million was paid for the title.

In December 2002 the paintings were restored to the Turner Bequest. The advice of the Charity Commission has been sought as to the precise status of the balance of the funds and its application in the longer term. As a first step, an interest free loan of £7 million has been made from this restricted fund to general funds to acquire the freehold of Tate's fine art store in Southwark. The Department for Culture, Media and Sport and the Charity Commission have approved this arrangement.

- Aitken Staff Fund - for the relief of distress or financial hardship suffered by Tate employees through no fault of their own.
- Shenkman Trust Fund - to pay for commissions of works of art at Tate Modern.

Other funds were 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.

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.

**14 Analysis of net assets between funds**

	Unrestricted funds £000	Restricted Funds £000	Endowment funds £000	<b>Total 2003 £000</b>	Total 2002 £000
<b>Funds balances at 31 March 2003 are represented by</b>					
Tangible fixed assets	23,861	268,779	-	<b>292,640</b>	279,414
Investments	-	13,238	306	<b>13,544</b>	431
Net current assets	2,604	126,227	-	<b>128,831</b>	133,104
Long term creditor	-	(125,121)	-	<b>(125,121)</b>	(117,981)
<b>Total net assets</b>	<u>26,465</u>	<u>283,123</u>	<u>306</u>	<b><u>309,894</u></b>	<u>294,968</u>

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

	<b>2003 £000</b>	2002 (restated) £000
Net incoming resources	<b>10,442</b>	14,042
Investment income	<b>(4,581)</b>	(5,463)
Depreciation	<b>5,740</b>	5,451
Loss on disposal of fixed asset	<b>269</b>	64
Donations of works of art	<b>(4,176)</b>	(1,557)
(Increase)/decrease in stocks	<b>299</b>	(40)
(Increase)/decrease in debtors	<b>(3,142)</b>	3,140
Increase/(decrease) in creditors	<b>2,984</b>	1,397
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>7,835</u></b>	<u>17,034</u>

*ii Reconciliation of net cash flow to movement in funds*

	<b>2003 £000</b>	2002 (restated) £000
Increase/(decrease) in cash in the year	<b>(3,101)</b>	(1,867)
Cash flow from management of liquid resources	<b>(6,257)</b>	9,421
Change in funds resulting from cash flows	<b>(9,358)</b>	7,554
Net funds at 1 April 2002	<b>144,000</b>	136,446
<b>Net funds at 31 March 2003</b>	<b><u>134,642</u></b>	<u>144,000</u>

*iii Analysis of movement in funds*

	2002 (restated) £000	Cash flow £000	<b>2003 £000</b>
Tate Modern security deposit	113,191	1,723	<b>114,914</b>
Liquid resources	23,869	(7,980)	<b>15,889</b>
	<u>137,060</u>	<u>(6,257)</u>	<b><u>130,803</u></b>
Cash	6,940	(3,101)	<b>3,839</b>
	<u>144,000</u>	<u>(9,358)</u>	<b><u>134,642</u></b>

**16 Financial commitments**

<b>2003</b>	2002
<b>£000</b>	£000

**Financial commitments were as follows**

Capital expenditure contracted for, but not provided in the accounts	<b>299</b>	1,490
Acquisition of works of Art contracted for, but not provided in the accounts	<b>2,768</b>	6,063

**17 Tate Modern Finance Leasing Structure**

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

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

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

NWPIL 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 were borne by TGPL and recovered from NWPIL in accordance with an agreed payment schedule.

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

Under the terms of the lease, the Board is obliged to hold a cash sum equivalent to 90% of the present value of its future rental and interest obligations as security for the performance of these obligations. This sum is described as Tate Modern security deposit on pages 17 and 18 to the accounts and is subject to a charge in favour of NWPIL. At the year end the deposit was £119,316,000 (2001-2002 £114,599,000); 90% of the present value would be £114,914,000 (2001-2002 £113,191,000).

The rental obligations to which the Board is committed are

	<b>2003</b>	2002
	<b>£000</b>	£000
In one year or less	<b>2,719*</b>	8,103
Between one and two years	<b>8,695</b>	2,719*
Between two and five years	<b>28,002</b>	27,032
Over five years	<b>462,326</b>	471,991
	<b><u>501,742</u></b>	<u>509,845</u>

\* restated to reflect current interest rates

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

The finance lease structure secured 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 2003 £120,650,000 (£120,650,000 in 2001-2002) has been capitalised in respect of the Tate Modern development, and the present value of the Board's obligations under the lease stood at £127,682,000 (£125,768,000 in 2001-2002). During the year the lease finance charge was £4,700,000 (£5,786,000 in 2001-2002).

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

## **18 Related party transactions**

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).

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 2002-2003, which have the Department for Culture, Media and Sport as a parent Department

British Museum  
English Heritage (Kenwood House)  
Imperial War Museum  
National Gallery  
National Museums and Galleries on Merseyside (Walker Art Gallery)  
Victoria & Albert Museum

Tate has borrowed works of art from the following organisations during the financial year 2002-2003, which have the Department for Culture, Media and Sport as a parent Department

Arts Council of England  
British Library  
British Museum  
English Heritage  
Imperial War Museum  
National Gallery  
National Maritime Museum  
National Museums and Galleries on Merseyside  
National Portrait Gallery  
Sir John Soane's Museum  
Victoria & Albert Museum

John Studzinski is a Trustee of Sir John Soane's Museum and Tate; Professor Dawn Ades is a Trustee of the National Gallery and Tate and a member of the DCMS Advisory Panel; Jon Snow is a Trustee of the National Gallery and Tate. There were no material transactions between Tate and any of the Trustees during the year.

## **19 Financial instruments**

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks Tate faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet date have been omitted from this note.

### *Liquidity risk*

Tate does not make use of long-term debt or borrowing facilities, with the exception of the Tate Modern finance lease. As a result it is not exposed to significant liquidity risks.

### *Interest rate risk*

Tate has long term financial liabilities in respect of the finance lease for Tate Modern, the details of which are set out in Note 17.

As at 31 March 2003, Tate held £19,728,000 (2001-2002 restated £30,809,000) in cash and bank deposits, £19,583,000 (2001-2002 restated £30,220,000) of which was invested at floating rates, the remaining £145,000 (2001-2002 £589,000) was held in cash and non-interest-bearing accounts. Tate is therefore not exposed to significant interest rate risk.

### *Foreign currency risk*

Tate's exposure to foreign currency risk is not significant.

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