

MUSEUMS AND GALLERIES ACT 1992

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

The Board of Trustees of the Tate Gallery Annual Accounts 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20th JULY 2005

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Trustees and Advisers

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 and investment managers

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

Annual Report

Aim and objectives

Tate's mission, drawn from the 1992 Museums and Galleries Act, is to increase public knowledge, understanding and appreciation of British art from the sixteenth century to the present day and of international modern and contemporary art. Guided by this mission, seven principal aims were set for the period 2004-05, which were to:

- strengthen and extend the range of Tate's Collections and the intellectual assets surrounding them;
- present an innovative and authoritative range of changing displays, exhibitions, education programmes, publications and events;
- give better service to Tate's visitors and develop larger and more diverse audiences;
- improve Tate's galleries and the care of its Collections and create plans for future developments;
- improve Tate's financial position and make better use of resources by working in more effective ways;
- give a greater sense of ownership and involvement in the institution to Tate's visitors, friends, supporters, patrons and associates and those who work for Tate;
- develop Tate's role in the wider world, underpinned by effective communication of its activities.

Review of activities in 2004-05

Progress was made in relation to each of these aims in 2004-05.

Collections

Major acquisitions included: *French Coast with Fishermen* c.1825 by Richard Parkes Bonington; Richard Long's *Red Slate Circle*, 1988; *Mapping the Studio II*, 2001, by Bruce Nauman, which was acquired in partnership with the Centre Pompidou, Paris and the Kunstmuseum Basel; *The Upper Room*, 1999-2002, a major work by Chris Ofili. In addition, the very significant archive of John and Myfanwy Piper joined Tate's Collection. Meanwhile, the work of the Latin American Acquisitions Committee, established to extend the reach of Tate's collecting into a new geographical area, continued to build Tate's holdings. Encouraged by the success of this new venture, the Board of Trustees commissioned a feasibility study on establishing a similar extension in South East Asia.

In October 2004 a new initiative to sustain and develop the Collection was launched, entitled *Building the Tate Collection*. The launch was marked by the pledge of significant gifts by twenty-three leading contemporary artists, a commitment of £1,000,000 from Tate Members and the offer by a number of private collections to bequeath important British works to Tate. The initiative is a long-term venture for Tate, which aims to build a permanent endowment fund, as well as to attract additional gifts and partnerships to support the Collection.

Progress continued during 2004-05 on a wide range of research projects. These underpin the acquisition of works of art, their treatment and conservation, the writing of interpretative texts and scholarly publications and the creation of displays and exhibitions. Greater prominence was given to this programme of work through the launch in spring 2004 of *Tate Papers*, an online research journal freely available to all through Tate Online.

Public Programmes

The programme of Collection displays, exhibitions and other public events in 2004 included: *Turner Whistler Monet* at Tate Britain, the most popular exhibition since its inception; a major retrospective of Edward Hopper at Tate Modern; *The Secret History of Clay* at Tate Liverpool, which examined how artists have used the medium of clay over the last century; a well-received retrospective of Wilhelmina Barns-Graham at Tate St Ives. A particularly wide range of contemporary art was presented including the Turner Prize, supported for the first time by Gordon's Gin, the Liverpool Biennial, and monographic exhibitions of Anthony Caro, Paula Rego, Luc Tuymans, Robert Frank, Richard Wentworth, David Nash, Callum Innes and Mariele Neudecker.

Bruce Nauman's extraordinary series of sound pieces took the Unilever Series in an entirely new direction following the visual spectacle of previous projects. Michael Landy's *Semi-Detached* was a powerful and poignant recreation of his father's house within the Duveen Galleries, complemented by video and sound pieces. The *Art Now* and *Untitled* series at Tate Britain and Tate Modern respectively continued to explore the most recent developments in contemporary art practice.

During 2004-05, a total of more than 400,000 people participated directly in Tate's education programmes. In addition to the already numerous and successful programmes across all sites, a new range of original and engaging tools were introduced to increase access to the Collection: *Tate Tools*, a growing library of teaching modules for Key Stages 2 and 3 Art and Design was developed; members of the public were invited to write their own labels to favourite works in the Collection, with a selection presented as part of last year's British Art Week; following two pilot studies, a multimedia tour of the Collection at Tate Modern was launched.

The *Tate Online* website, developed together with BT, continued to gather strength. Improvements to the site in the period included the launch of *Tate Papers*, the production of *Explore Tate Britain*, innovative micro-sites to support exhibitions and a number of changes designed to improve navigation and accessibility within the site.

The reach of Tate's exhibition programme was extended through publishing exhibition catalogues, distributed world-wide. Several notable general art books were also published by Tate Enterprises including *Live Art and Performance*, *Gwen John Letters and Notebooks* and, in the Modern Artists series, *Rachel Whiteread* and *Julian Opie*.

Audiences

By the end of the financial year 2004-05, Tate had recorded more than 13,298,000 visits to its programmes: 6,293,000 at the four Tate galleries; 1,480,000 to Tate exhibitions in the regions or abroad; 5,525,000 unique visits to Tate Online. At the foundation of this achievement was a public programme of breadth, texture and authority, described above, which was delivered on a balanced budget to great critical and public acclaim.

Effort was made during the period 2004-05 to maintain Tate's deserved reputation for being one of the more visitor-focused museums in the sector, the outstanding achievement being the two London visitor services teams responding to peak numbers at *Hopper* and *Turner Whistler Monet*.

Recommendations arising from a major visitor audit undertaken in 2003 were taken forward, including the formation of a Visitor Experience Development Group responsible for the formulation and ongoing development of ideas to ensure that visitors' needs are placed at the heart of organisational development and Tate strategies relating to service standards and income generation. This group provides a cross-departmental, cross-site forum to take forward the strategic action areas identified in the visitor audit – specifically to help visitors engage with Tate, to improve the provision of information and to develop orientation and visitor services.

In addition, a cross-Tate Diversity Group was formed to review Tate's performance to date across the range of its activities.

Buildings

A programme of investment in buildings and the estate continued to be implemented, both ensuring that long term improvements to the estate can be made and improving current facilities within the galleries. The Arrivals project, a scheme which responds to visitor expectations and needs at Tate Modern, was concluded on time and within budget and has significantly improved visitor facilities and the public welcome, both at the Northern Entrance and within Level 4.

The appointment of architects Jamie Fobert was announced for a project to improve facilities at St Ives, including a new learning centre, and the appointment of architects Herzog and de Meuron to develop a planning application for Completing Tate Modern. A condition survey of the pre-war roofs at Tate Britain was commissioned as the precursor to proceeding with a long term refurbishment plan, and opportunities were explored for the creation of a new Collection Centre at Tate Store in Southwark.

People and infrastructure

A project was undertaken to review, four years after the opening of Tate Modern and the launch of Tate Britain, how the effectiveness of business processes and operations at Tate could be improved and to explore ways in which resources could be released to support our operation in a climate of constrained grant and rising cost pressures. This initiative also responds to Government's efficiency agenda. Implementation of a range of projects has commenced, and will continue over the next two years, with the objective of achieving a reduction in the projected ongoing costs of Tate's operation by 2007-08.

To further support effective working, a major initiative was launched in the autumn of 2004 to improve staff performance and development planning at all levels across Tate, including the redesign of supporting documentation and processes.

A number of improvements were made to income generating facilities, including a full-scale refurbishment of the Tate Liverpool café, the creation of a new River Shop at the Northern entrance to Tate Modern and the refurbishment of the Members' room at Tate Modern. Temporary café facilities were introduced to meet visitor

demand during the *Turner Whistler Monet* exhibition at Tate Britain. Tate Enterprises provides an increasingly important contribution both in servicing visitors' needs through the shops, cafés, publishing programmes and other business development, and through generating profits to support Tate's public services.

Relationships

Following recruitment campaigns linked to *Hopper* and *Turner Whistler Monet*, membership increased to a record 67,000 members. Against a highly competitive environment, Tate was successful in securing large scale sponsorships in support of the public programme. The renewal of the Unilever Series at Tate Modern was a particularly noteworthy achievement, as was the latest episode in Ernst & Young's long term sponsorship of Tate, *Turner Whistler Monet*. The Corporate Membership Programmes in London and Liverpool continued to thrive, with both schemes operating at near capacity. The Patrons Scheme now stands at 258 members and other individual giving groups in the UK and the Americas also continued to develop. Of particular interest were the highly successful special purchase funds developed to enable Tate to purchase works from the Frieze Art Fair and from artists working in the field of film and video.

One of the most significant areas for future fundraising is the *Building the Tate Collection* campaign, which will be supported by the development of a number of key relationships with donors and artists.

Awards in 2004-05 included:

- Tate Online and BT won the Hollis Award for Best Continuous Sponsorship;
- Tate Britain and Tate & Lyle won the Food & Drink Federation Award for Best Education sponsorship;
- Tate Liverpool and Rolls Royce won the Arts & Business Award for Arts, Business and Employees;
- Tate Modern and Unilever were shortlisted for both the Arts & Business and the Hollis Awards for the education sponsorship category;
- Tate Online and BT were shortlisted for two Webby Awards for Best Website in the categories of arts and cultural institutions.

Tate as agent of change

Tate continues to play a leading role as an advocate for strengthening the role of the visual arts in society and education. It does so through its membership of sectoral bodies such as the National Museums Directors Conference, VAGA and the National Campaign for the Arts. In 2004-05 Tate also played an active part in the London 2012 Olympics bid, working closely with the Culture Team, and is in the process of developing plans to support Liverpool as European Capital of Culture in 2008.

Performance indicators

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

Performance Indicator	Target	Actual
Number of total visitors (excluding corporate events) (000's)	4,900	6,293
Number of Child visits (000's)	700	870
Numbers of Children in Organised Educational Sessions (000's)	140	419
Number of UK visitors from socio-economic categories C2, D & E (000's)	550	874
Website visits (000's)	2,100	5,525
National loan venues – England	40	81

Financial Review

The Consolidated Statement of Financial Activities on page 17 shows total incoming resources of £88,819,000 (£88,753,000 in 2003-04). Of this amount £9,927,000 (£9,248,000 in 2003-04) was applied to the on-going capital programme and £11,598,000 (£15,846,000 in 2003-04) to Collection acquisitions. Of the remaining £67,294,000 (£63,658,000 in 2003-04), £65,349,000 (£62,882,000 in 2003-04) was used to fund ongoing operations in the year, with the remaining £1,945,000 (£776,000 in 2003-04) taken to general funds.

Tate received £29,881,000 of Grant-in-Aid from Parliament, provided through the Department for Culture, Media and Sport. Tate continues to supplement this grant from other sources and self-generated income from trading, admissions and fundraising amounting to £47,464,000 for the year.

A key driver for self generated income is the exhibition programme, which in 2004-05 was exceptionally successful and popular including *Turner Whistler Monet* at Tate Britain and *Hopper* at Tate Modern.

Resources expended include the research and care of the Collection, the public programme of exhibitions, education and outreach, fundraising and publicity, and trading, management and administration costs.

Over the past year, Tate has added works of art valued at £8,983,000 to the Collection. Of this figure, £4,231,000 has been donated by individuals either directly or in lieu of tax. Funding for purchased works of art has come from many sources, including the Lottery, Tate Members, Tate Patrons and self-generated income.

Foreword

Introduction

Presentation of the financial statements

The accounts have been prepared in accordance with the Statement of Recommended Practice (the SORP) "Accounting and Reporting by 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 17 has been prepared in line with the SORP and shows incoming resources including income relating to capital projects.

History of body, statutory background, organisation and structure

History

The Tate Gallery was founded at Millbank London in 1897. Although officially known as The National Gallery of British Art, it was commonly called the Tate Gallery after Henry Tate, with its name finally being officially changed in 1932. During the early and mid twentieth century the original building at Millbank was added to as Tate's Collection grew and expanded to include modern works.

The last two decades of the twentieth century saw considerable expansion of Tate with the Clore Gallery, housing the Turner collection opening in 1987 and Tate Liverpool opening the following year. Tate St Ives opened in 1993 and in March 2000 the Tate Gallery Millbank site was rededicated as Tate Britain. Tate Modern opened to the public in May 2000, and in its first year had an attendance of 4,819,000.

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.

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 £778,846 (£1,386,893 in 2003-04). The balance of funds held by Tate Foundation at 31 March 2005 was £8,679,814 (£7,516,308 in 2003-04).

Organisation and structure

Tate's Board comprises twelve members, at least three of whom are practising artists and one is appointed by the National Gallery Board of Trustees from among members of that Board; the remainder are appointed by the Prime Minister. Trustees are usually appointed for four years and may be reappointed for a further term (though it is current convention that artists serve only one term). Trustees elect a Chairman from among their number.

The 1992 Museums and Galleries Act defines the establishment, constitution, functions and property of the Board of Trustees. On a day-to-day basis, the Board's responsibilities can be summarised as to:

- determine policy;
- establish the overall strategic direction of Tate within the policy and resource framework;

- decide on major acquisitions and major resource issues such as new buildings;
- supervise the management of Tate by acting as guardians of the public interest;
- oversee the delivery of planned results by monitoring performance against objectives and targets;
- use the combined expertise of members to advise the Director.

The Board is advised by a number of formal sub-committees, whose members comprise both Trustees and non-Trustees.

Trustees serving in the period 2004-05 were:

Professor Dawn Ades
Helen Alexander
Victoria Barnsley
Melanie Clore (appointed 27 April 2004)
Sir Howard Davies
Professor Jennifer Latto
Paul Myners (Chairman)
Chris Ofili
Julian Opie
Fiona Rae (appointed 8 March 2005)
Jon Snow (reappointed as National Gallery Liaison Trustee 1 April 2004)
John J Studzinski
Gillian Wearing (retired 7 March 2005)

Changes in membership between the end of the financial year and the date on which the accounts were approved included the retirement of Professor Dawn Ades on 12 April 2005 and the appointment of Patricia Lankester on 13 April 2005.

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

At 31 March 2005 the Directors' Group comprised:

Sir Nicholas Serota, Director
Alex Beard, Deputy Director
Susan Daniel McElroy, Director, Tate St Ives
Jan Debbaut, Director, Tate Collection
Stephen Deuchar, Director, Tate Britain
Will Gompertz, Director, Communications
Christoph Grunenberg, Director, Tate Liverpool
Anna Jobson, Head of Policy and Planning
Andrea Nixon, Director, Development
Vicente Todolí, Director, Tate Modern
Sian Williams, Director, Finance and Resources
Peter Wilson, Director, Projects & Estates

Conflicts of interests

The Board of Trustees is required to follow the principles established by the Nolan Committee in the conduct of public bodies. This includes the declaration of individual Trustees' interests. A Register of Interests is kept to identify any potential conflicts of interest between Trustees' private, professional, political and business activities (including those of close family and household members) and those of Tate; this is available by written request.

In addition, the practice of maintaining a register of interests has been extended to members of the Directors' Group in the period 2004-05.

Review of activities in 2004-05

A full review of activities is contained in the Annual Report on page 3

Future Developments

Tate's mission will remain to increase public knowledge, understanding and appreciation of British, modern and contemporary art. The next three years present a number of major opportunities, both externally and within the organisation.

The following summary describes how Tate intends to approach its mission in 2005-08 and respond to some of those opportunities. Realising this ambition depends on the professionalism, hard work, commitment and creative energy of everyone who works for Tate, many of whom are recognised as exceptional in their field.

Tate aims to:

- build the Collection and secure its future, while making it accessible and improving understanding and enjoyment of it;
- strengthen Tate Britain's position and extend its influence as the world centre for British art from the Renaissance to the present day;
- advance Tate Modern's local, national and international position and secure its future development;
- use the opportunities afforded by Liverpool being European Capital of Culture 2008 to: increase the ambition and international reach of Tate Liverpool's programme; build audiences; increase the resources available to the Gallery in the long term;
- ensure that Tate St Ives phase 2 transforms the visitor experience and extends the gallery's educational role through new partnerships in order to attract new visitors and make a greater contribution to the community in West Penwith;
- develop programmes that reach audiences beyond Tate's sites through international and national partnerships, new interpretation and education strands and Tate Online;
- understand audiences better, improve the quality of the visitor experience and broaden the socio-economic and ethnic mix of the audience base;
- enable everyone working at Tate to develop their potential within a culture which promotes equality, respects diversity and values the contribution that all employees make to Tate's success, whilst ensuring that they have the right systems and tools to support them;
- improve Tate's relationships with its many friends, advocates, supporters and advisors; use Tate's profile to achieve greater impact for its activities and further the contribution of the visual arts to life in Britain;
- secure enough money to support Tate's ambitions, combining entrepreneurial flair with strong financial management to ensure that it gains maximum value from each public and private pound it earns.

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. As a non-departmental public body, Tate follows policy issued by the Cabinet Office on the employment of disabled people.

In summary, 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.

Directors achieve communications with their staff through: a Tate Staff Council, comprising elected employee representatives, union representatives and management; Health and Safety Committees; divisional briefings; departmental meetings; informal meetings; 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.

Results for the year and financial position

The Consolidated Statement of Financial Activities on page 17 shows total incoming resources of £88,819,000 (£88,753,000 in 2003-04). Of this amount £9,927,000 (£9,248,000 in 2003-04) was applied to the on-going capital programme and £11,598,000 (£15,846,000 in 2003-04) to Collection acquisitions. Of the remaining £67,294,000 (£63,658,000 in 2003-04), £65,349,000 (£62,882,000 in 2003-04) was used to fund ongoing operations in the year, with the remaining £1,945,000 (£776,000 in 2003-04) taken to general funds.

Funds carried forward of £411,251,000 (£360,506,000 in 2003-04) can be analysed as follows:

	2005	2004
	£000	£000
Capital reserves	244,305	237,708
Works of Art reserves	44,479	34,118
Revaluation reserve	92,635	55,215
Other restricted reserves	848	23,975
Designated reserves	18,047	–
Endowments	354	335
Streamlining fund	–	294
General funds	10,583	8,861
	<u>411,251</u>	<u>360,506</u>

For more details, please refer to Note 13.

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.

Additions to fixed assets during the year of £12,652,000 (£18,262,000 in 2003-04) comprise: £8,983,000 of Works of Art; £2,331,000 in relation to buildings and leasehold improvements; £1,338,000 on plant and fit-out and other assets. Works of Art include items donated, bequeathed or given in lieu of tax to Tate with an approximate value of £4,231,000 (£12,824,000 in 2003-04). Works of Art given in lieu of tax include John Constable's *A Cornfield*, valued at £2,500,000. 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.

In accordance with Treasury requirements a valuation of the Trustees' property holdings was undertaken at 31 March 2004 by Drivers Jonas, a firm of independent property consultants. The valuation was in accordance with the Royal Institution of Chartered Surveyors' "new Red Book", RICS Appraisal and Valuation Standards. Assets are stated at current cost in the accounts and indexed annually, using indices supplied by HM Treasury, when no formal valuation is undertaken, this results in a revaluation reserve which currently amounts to £92,635,000.

Tate Modern is held under a finance lease and has previously been held on the balance sheet at the present value of the future lease payments at the time of capitalisation. At March 2005, in accordance with NDPB Accounts Guidance, the asset was revalued based on the present value of Tate's current obligations under the lease, this equates to the commutation value of £131,998,000. There has also been a revision to the remaining useful life, which has been extended to cover the remaining lease term of 97 years. The result is both an increase in the value of the asset and a decrease in the amount of accumulated depreciation and depreciation charged in the year, which has reduced by £1,052,000 from the previous level of £2,413,000.

Subsidiary undertakings

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

Insurance funds

In 1995, following the theft of two works by JMW Turner while on display in Germany, Tate received £24,000,000 of insurance proceeds.

In February 1999 the Trustees took the view that stolen works do normally reappear, and therefore purchased title to the stolen paintings from the insurers at a price significantly below the original £24,000,000 of proceeds. The purchase guaranteed that the works would be restored to the Turner Bequest should they re-emerge.

In December 2002, the paintings were restored to the Turner Bequest. During 2004-05 the Charity Commission agreed that the funds were available for the general purposes of Tate and that Tate Trustees were free to use the funds for the benefit of the Collection as a whole.

The Trustees have taken the decision to designate the funds as the Collection Fund. £10,000,000 has been allocated to a capital fund to support Tate's recently launched Collection initiative – Building the Tate Collection. The income from this capital amount will be used to purchase Works of Art to enhance the Collection. The balance of the fund will benefit the long-term care of the Collection including research, conservation, and improving access to Tate's Collection Store in Southwark.

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 2004-05 64% (69% in 2003-04) of invoices were settled in 30 days or less.

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 £10,583,000. 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 achieved by investing through a third party investment profile manager, who advises 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 accordance with the Trustees' investment policy. During the year the investments generated a return of 8.1%.

Auditors

Tate's principal auditor is the Comptroller and Auditor General. The audit fee for the year ended 31 March 2005 is £31,500.

Post balance sheet events

There are no material post balance sheet events.

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2005

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 directions 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.

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2005

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

Statement on Internal Control

1 Scope of responsibility

The Accounting Officer and Trustees 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 prescribed 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.

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. Risk is discussed and reviewed by the Finance and Audit Committee, an advisory body consisting of five Trustees and one co-opted member, which met six times in the year. Risk is also regularly discussed and acted upon where necessary at a department head level.

4 The risk environment

The most significant risks facing Tate, as detailed in the risk register fall under four headings: financial, operational, regulatory and external. Measures have been put in place to mitigate these risks. The management of risk is embedded in policymaking, planning and delivery.

In Tate the main processes in place for identifying, evaluating, and managing risk are:

- To ensure that risk identification is an integral part of the annual planning and budgeting process with risks linked to objectives
- The forward plan, including the most significant risks, is reviewed and approved by the Trustees
- Performance against budget and objectives is regularly reviewed by the Trustees
- Key performance indicators are included in internal reports and regularly reviewed by Trustees
- Clearly defined capital investment control guidelines and formal project control disciplines

The Directors group consider risk when assessing any major project and formally review significant risks before they are reviewed by the Finance and Audit Committee. The significant risks have all been assessed and scored for impact and probability, and a mitigation policy has been formulated.

5 Review of effectiveness

The Accounting Officer and Trustees also have responsibility for reviewing the effectiveness of the system of internal control. This review 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. Comments made by the external auditors in their management letter and other reports are also taken into account.

The Accounting Officer and Trustees have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board and the Finance and Audit Committee. Certain accounting processes and routines did not operate effectively for the whole period in Tate Enterprises, a division of Tate Enterprises Limited, a subsidiary of Tate. Although there was no financial loss as a result, the risks arising from this situation have been mitigated and management have implemented an action plan to ensure this situation does not recur.

The Board of Trustees has contracted the internal audit service, which operates to standards defined in the Government Internal Audit Standards, to AHL Limited. 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 the Accounting Officer and Trustees. At least annually, the auditors provide a report on internal audit activity in Tate. The report includes the auditor's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

The system of internal control has been in place in Tate for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

Sir Nicholas Serota
Director and Accounting Officer, Tate

Paul Myners
Chairman, Tate

July 2005

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 17 to 37 under the Museums and Galleries Act 1992. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by the Treasury; they 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 23 to 25.

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

As described on page 12, the Board of Trustees and the Director of Tate as the Accounting Officer, are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions funded via Parliament. The Board of 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 I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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, income and resources funded via Parliament 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 other contents of the Foreword and Annual Report are not consistent with the financial statements, if Tate 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 page 13 reflects Tate's compliance with Treasury's guidance on the 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. I am not required to consider, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of Tate's corporate governance procedures or its risk and control procedures.

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 in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to Tate and the group 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, income and resources funded via Parliament 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 Tate and the group as at 31 March 2005 and of the incoming resources, application of resources and cash flows of the group for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded via Parliament 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

19 July 2005

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

Consolidated Statement of Financial Activities for the year ended 31 March 2005

	Notes	Income and Expenditure			Capital		
		2004-05 Un- restricted funds £000	2004-05 Restricted funds £000	2004-05 Total funds £000	2004-05 Un- restricted funds £000	2004-05 Restricted funds £000	2004-05 Total funds £000
Incoming Resources							
<i>Activities in furtherance of charity's objectives</i>							
Grant in Aid	2	28,581	–	28,581	1,300	–	1,300
Lottery and other public funding	3	166	170	336	–	1,317	1,317
Admissions		5,539	–	5,539	–	–	–
Sponsorship		4,244	–	4,244	–	–	–
Donations		521	1,934	2,455	–	1,033	1,033
<i>Activities for generating funds</i>							
Trading income	9	21,806	–	21,806	304	–	304
Fees and other income		3,512	92	3,604	–	27	27
<i>Donations, legacies and similar income</i>							
Donations of Works of Art		–	–	–	–	–	–
Investment income	4	724	5	729	–	5,946	5,946
Total incoming resources		65,093	2,201	67,294	1,604	8,323	9,927
Resources expended							
<i>Costs in furtherance of charity's objectives</i>							
Collection care and enhancement Public programme		5,061	169	5,230	573	133	706
Tate Britain		13,068	573	13,641	308	1,991	2,299
Tate Modern		14,857	853	15,710	82	7,136	7,218
Tate Liverpool		3,599	83	3,682	128	293	421
Tate St Ives		1,648	124	1,772	12	8	20
Digital Programme		1,195	61	1,256	59	40	99
		39,428	1,863	41,291	1,162	9,601	10,763
<i>Costs of generating funds</i>							
Fund-raising and publicity		2,553	7	2,560	40	27	67
Trading costs	9	19,758	–	19,758	470	–	470
Management and administration		1,428	312	1,740	41	39	80
		23,739	319	24,058	551	66	617
Total resources expended		63,167	2,182	65,349	1,713	9,667	11,380
Net incoming/(outgoing) resources before notional costs							
Cost of capital	7	–	–	–	(5,972)	–	(5,972)
Net incoming/(outgoing) resources after notional costs		1,926	19	1,945	(6,081)	(1,344)	(7,425)
Reversal of notional costs		–	–	–	5,972	–	5,972
Net incoming/(outgoing) resources before transfers		1,926	19	1,945	(109)	(1,344)	(1,453)
Transfers between funds (opening)	13	(498)	42	(456)	356	100	456
Transfers between funds (closing)	13	–	–	–	7,000	–	7,000
Net incoming/(outgoing) resources after transfers		1,428	61	1,489	7,247	(1,244)	6,003
Gain on investment assets		–	8	8	–	–	–
Gain on revaluation of tangible fixed assets		–	–	–	126	37,888	38,014
Net movement of funds		1,428	69	1,497	7,373	36,644	44,017
Funds brought forward at 1 April 2004	13	9,155	95	9,250	12,959	279,964	292,923
Funds carried forward at 31 March 2005		10,583	164	10,747	20,332	316,608	336,940

The notes on pages 23 to 37 form part of the accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2005 *(continued)*

2004-05 Un- restricted funds £000	Collections		2004-05 Un- restricted funds £000	Total		2004-05 Total funds £000	2003-04 Total funds £000
	2004-05 Restricted funds £000	2004-05 Total funds £000		2004-05 Restricted funds £000	2004-05 Endowment funds £000		
-	-	-	29,881	-	-	29,881	30,282
-	135	135	166	1,622	-	1,788	230
-	-	-	5,539	-	-	5,539	3,213
-	-	-	4,244	-	-	4,244	3,276
552	4,461	5,013	1,073	7,428	-	8,501	7,758
1,649	-	1,649	23,759	-	-	23,759	20,400
2	-	2	3,514	119	-	3,633	5,056
-	4,231	4,231	-	4,231	-	4,231	12,824
-	568	568	724	6,519	-	7,243	5,714
2,203	9,395	11,598	68,900	19,919	-	88,819	88,753
-	168	168	5,634	470	-	6,104	5,669
-	-	-	13,376	2,564	-	15,940	22,570
-	-	-	14,939	7,989	-	22,928	22,217
-	-	-	3,727	376	-	4,103	4,220
-	-	-	1,660	132	-	1,792	1,716
-	-	-	1,254	101	-	1,355	1,101
-	168	168	40,590	11,632	-	52,222	57,493
-	-	-	2,593	34	-	2,627	2,681
-	-	-	20,228	-	-	20,228	17,824
-	-	-	1,469	351	-	1,820	2,666
-	-	-	24,290	385	-	24,675	23,171
-	168	168	64,880	12,017	-	76,897	80,664
2,203	9,227	11,430	4,020	7,902	-	11,922	8,089
-	-	-	(5,972)	-	-	(5,972)	(4,936)
2,203	9,227	11,430	(1,952)	7,902	-	5,950	3,153
-	-	-	5,972	-	-	5,972	4,936
2,203	9,227	11,430	4,020	7,902	-	11,922	8,089
-	-	-	(142)	142	-	-	-
18,047	(25,047)	(7,000)	25,047	(25,047)	-	-	-
20,250	(15,820)	4,430	28,925	(17,003)	-	11,922	8,089
-	782	782	-	790	19	809	1,408
-	-	-	126	37,888	-	38,014	41,115
20,250	(15,038)	5,212	29,051	21,675	19	50,745	50,612
5,444	52,554	57,998	27,558	332,613	335	360,506	309,894
25,694	37,516	63,210	56,609	354,288	354	411,251	360,506

Consolidated Balance Sheet at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	383,528	338,658
Investments	4	21,752	15,463
		405,280	354,121
Current assets			
Tate Modern security deposit	17	118,798	116,669
Tate Modern funds		8,161	7,164
Stocks		2,518	2,295
Debtors and prepayments	10	8,955	6,155
Cash and liquid resources		11,167	16,557
		149,599	148,840
Creditors: amounts falling due within one year	11	(14,894)	(15,622)
Net current assets		134,705	133,218
Total assets less current liabilities		539,985	487,339
Creditors: amounts falling due after more than one year	11	(128,734)	(126,833)
Total assets less liabilities		411,251	360,506
Represented by:			
Income funds			
Restricted reserves	13	354,288	332,613
Unrestricted reserves			
Designated	13	46,026	18,697
General	13	10,583	8,861
Total income funds		410,897	360,171
Endowments	13	354	335
Total funds		411,251	360,506

The financial statements on pages 17 to 37 were approved by the Trustees on:

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2005

The notes on pages 23 to 37 form part of the accounts

Tate Balance Sheet at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	382,355	337,335
Investments		25,247	18,958
		407,602	356,293
Current assets			
Tate Modern security deposit	17	118,798	116,669
Tate Modern funds		8,161	7,164
Debtors and prepayments	10	10,935	7,811
Cash and liquid resources		7,488	13,198
		145,382	144,842
Creditors: amounts falling due within one year	11	(12,875)	(13,793)
Net current assets		132,507	131,049
Total assets less current liabilities		540,109	487,342
Creditors: amounts falling due after more than one year	11	(128,734)	(126,833)
Total assets less liabilities		411,375	360,509
Represented by:			
Income funds			
Restricted reserves		354,233	332,561
Unrestricted reserves			
Designated		44,853	19,656
General		11,935	7,957
Total income funds		411,021	360,174
Endowments		354	335
Total funds		411,375	360,509

Sir Nicholas Serota
Director, Tate

Paul Myners
Chairman, Tate

July 2005

The notes on pages 23 to 37 form part of the accounts

Consolidated Cash Flow Statement for the year ended 31 March 2005

	Notes	2005 £000	2004 (restated) £000
Net cash inflow from operating activities	15	3,612	4,195
<i>Returns on investments and servicing of finance</i>			
Interest received		<u>7,036</u>	<u>5,647</u>
Net cash inflow from returns on investments and servicing of finance		7,036	5,647
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(7,433)	(3,583)
Purchase of investments		(11,714)	(5,902)
Proceeds from sale of investments		<u>6,268</u>	<u>5,398</u>
Net cash outflow from capital expenditure		(12,879)	(4,087)
Management of liquid resources	15(iii)	<u>1,817</u>	<u>(6,424)</u>
Decrease in cash		<u>(414)</u>	<u>(669)</u>

The notes on pages 23 to 37 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 by Charities" (issued October 2000) and applicable accounting standards.

Basis of consolidation

The Tate financial statements consolidate the results of the Tate and its wholly-owned subsidiaries Tate Enterprises, Tate Gallery Publishing Limited and Tate Gallery Projects Limited. A separate Statement of Activity or income and expenditure account for Tate itself is not presented, as Tate has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 304 of SORP 2000.

Incoming resources

Incoming resources are shown net of Value Added Tax.

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 recognised as income in the statement of financial activities in the year it is received.

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

The threshold for capitalisation of fixed assets is as follows:

Tate	£5,000
Tate Enterprises Limited	£500

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. Following the revaluation, the useful economic lives of the tangible fixed assets have been revised to the following:

Land	– not depreciated
Finance leases	– term of lease
Buildings	– 50 to 100 years
Plant and fit-out	– 5 to 25 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. All exchange differences go to the Statement of Financial Activities.

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 Civil Service Pension Schemes (CSPS) are unfunded multi-employer defined benefit schemes, of which Tate is not able to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-05, employers' contributions of £1,897,000 were payable to the CSPS (2003-04 £1,849,000) at one of four rates in the range of 12% to 18.5% of pensionable pay, based on salary bands. The schemes' Actuary reviews employer contributions every four years following a full scheme valuation; rates will increase from 2005-06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £35,000 (£19,000 in 2003-04) 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% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £124,000 (£119,000 in 2003-04), 0.8% of pensionable pay, were payable to the CSPS 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 CSPS. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. Tate 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 CSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

Tate Enterprises Limited operates money purchase pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. The amounts charged against profit represent the contributions payable to the schemes in respect of the accounting period. Pension contributions of £181,000 were made in the year (2003-04 £214,000).

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 2005.

2 Grant in Aid

Grant in Aid of £29,881,000 has been received during the year from the Department for Culture, Media and Sport (£30,282,000 in 2003-04). This money is available to fund running costs, capital improvements and Collection acquisitions.

	2005	2004
	£000	£000
The following is taken to (see page 18)		
Income and expenditure	28,581	29,482
Capital	1,300	800

3 Lottery and other public funding

	2005	2004
	£000	£000
Department for Culture, Media & Sport	77	–
Heritage Lottery Fund	327	111
Millennium Commission	1,277	–
New Opportunities Fund	95	119
South West Arts	12	–
	<u>1,788</u>	<u>230</u>
of which the following is taken to (see page 18)		
Income and expenditure	336	111
Capital	1,317	119
Collections	135	–

Details of any individually significant items of donations are included in the foreword.

4 Investments and investment income

	2005	2004
	£000	(restated) £000
Bank interest	6,732	5,179
Income on quoted investments	511	535
	<u>7,243</u>	<u>5,714</u>
of which the following is taken to (see page 18)		
Income and expenditure	729	470
Capital	5,946	4,647
Collections	568	597

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

Investments total £21,752,000 (£15,463,000 in 2003-04).

	2004 Market Value £000	Additions / (disposals) in year £000	Realised and unrealised gains/(losses) £000	2005 Market Value £000
Bank floating rate loan notes	–	5,004	–	5,004
Investment portfolio:				
UK fixed interest	6,703	(404)	21	6,320
Non-UK fixed interest	–	930	(24)	906
UK equities	5,401	(704)	631	5,328
Non-UK equities	2,961	(277)	175	2,859
UK money market deposits	398	897	40	1,335
Total	15,463	5,446	843	21,752

5 Net incoming resources

are stated after charging:

	2005 £000	2004 £000
Auditors' remuneration		
Comptroller and Auditor General	32	30
Subsidiaries	22	35
Taxation advice	65	43
Operating lease rentals		
Land and buildings	219	217
Vehicles and equipment	84	73
Depreciation	5,795	6,826
Reduction in value of fixed assets	–	6,533
Loss on foreign exchange transactions	38	–

6 Total resources expended

	Staff Costs £000	Other Direct Costs £000	Depreciation* £000	2005 Total £000	2004 Total £000
<i>Costs in furtherance of charity's objectives</i>					
Collection care and enhancement	3,402	1,995	707	6,104	5,669
Public programme					
Tate Britain	6,652	6,989	2,299	15,940	22,570
Tate Modern	5,775	15,519	1,634	22,928	22,217
Tate Liverpool	1,778	1,904	421	4,103	4,220
Tate St Ives	915	857	20	1,792	1,716
Digital Programme	621	635	99	1,355	1,101
	19,143	27,899	5,180	52,222	57,493
<i>Costs of generating funds</i>					
Fund-raising and publicity	1,876	684	67	2,627	2,681
Costs of trading	7,073	12,686	469	20,228	17,824
Management and administration	937	804	79	1,820	2,666
	9,886	14,174	615	24,675	23,171
Total resources expended	29,029	42,073	5,795	76,897	80,664

Direct costs of Tate Modern include £5,583,000 (£4,408,000 in 2003-04) relating to the finance lease payment, which is offset by interest earned on the Tate Modern Security Deposit.

*Includes any downward impact of asset revaluations, where applicable.

a) Staff costs

	2005	2004
	£000	£000
Wages and salaries	23,121	22,120
Pension costs	2,357	2,470
Social Security costs	1,812	1,738
Total employee costs	27,290	26,328
Agency staff costs	1,739	1,685
	29,029	28,013

During the year ex-gratia payments totalling £160,650 were paid to eleven members of staff. Approval for these payments was received from HM Treasury and formed part of Tate's response to the Government's Efficiency Initiative.

The Chairman and other Trustees received no remuneration; Trustees received reimbursement of travel and subsistence expenses amounting to £528 in 2004-05 (£641 in 2003-04).

The Director, Sir Nicholas Serota's total remuneration in 2004-05 including pension contributions amounted to £174,524, comprising £136,822 salary, £12,390 bonus and £25,312 pension contribution (£162,575 in 2003-04, comprising £131,712 salary, £6,496 bonus and £24,367 pension contributions).

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

Director's pension disclosure	£
Real increase in pension	2,006
Real increase in lump sum	6,017
Pension at 31 March 2005	41,660
Lump sum at 31 March 2005	124,981
Cash equivalent transfer value at 31 March 2004	692,000
Cash equivalent transfer value at 31 March 2005	765,000
Employee contributions and transfers-in	2,052
Real increase in cash equivalent transfer value as funded by employer	35,000

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

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

	2005	2004
	No.	No.
£50,000 – £59,999	10	9
£60,000 – £69,999	3	4
£70,000 – £79,999	3	3
£80,000 – £89,999	3	–
£90,000 – £99,999	1	1
£130,000 – £139,999	–	1
£140,000 – £149,999	1	–

All twenty-one staff earning more than £50,000 are members of a defined benefit pension scheme.

The average number of employees during the year was 1,191 (1,179 in 2003-04).

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

	2005	2004
	No.	No.
Collection care and enhancement	106	105
Public programme		
Tate Britain	221	227
Tate Modern	194	179
Tate Liverpool	78	80
Tate St Ives	42	40
Digital Programme	19	15
Fund-raising and publicity	54	53
Trading	458	454
Management and administration	20	20
	<u>1,192</u>	<u>1,173</u>

One person retired early on ill-health grounds (four in 2003-04); the total additional accrued pension liabilities to CSPS in the year amounted to nil (£6,100 in 2003-04).

7 Notional costs

Notional cost of capital is £5,972,000 (£4,936,000 in 2003-04), calculated as 3.5% of the average qualifying capital employed by Tate in the year.

8 Fixed assets

Group	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value at 1 April 2004	90,820	33,641	12,934	–	53,270	120,650	35,517	9,867	356,699
Additions at cost	–	15	1,826	490	256	–	8,983	1,082	12,652
Valuation of assets	7,414	2,681	1,205	–	4,370	11,348	–	–	27,018
Disposals	–	–	–	–	–	–	–	(9)	(9)
Value at 31 March 2005	98,234	36,337	15,965	490	57,896	131,998	44,500	10,940	396,360
Depreciation at 1 April 2004	–	631	179	–	–	9,652	–	7,579	18,041
Charge for the year	–	501	260	–	2,316	1,361	–	1,357	5,795
Valuation of assets	–	–	18	–	–	(11,013)	–	–	(10,995)
Disposals	–	–	–	–	–	–	–	(9)	(9)
Depreciation at 31 March 2005	–	1,132	457	–	2,316	–	–	8,927	12,832
Net book value at 31 March 2005	98,234	35,205	15,508	490	55,580	131,998	44,500	2,013	383,528
Net book value at 1 April 2004	90,820	33,010	12,755	–	53,270	110,998	35,517	2,288	338,658

Tate	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value at 1 April 2004	90,820	32,860	12,934	–	53,270	120,650	35,517	6,530	352,581
Additions at cost	–	–	1,826	490	256	–	8,983	777	12,332
Valuation of assets	7,414	2,682	1,205	–	4,370	11,348	–	–	27,019
Disposals	–	–	–	–	–	–	–	(8)	(8)
Value at 31 March 2005	98,234	35,542	15,965	490	57,896	131,998	44,500	7,299	391,924
Depreciation at 1 April 2004	–	–	179	–	–	9,652	–	5,415	15,246
Charge for the year	–	445	260	–	2,316	1,361	–	944	5,326
Valuation of assets	–	–	18	–	–	(11,013)	–	–	(10,995)
Disposals	–	–	–	–	–	–	–	(8)	(8)
Depreciation at 31 March 2005	–	445	457	–	2,316	–	–	6,351	9,569
Net book value at 31 March 2005	98,234	35,097	15,508	490	55,580	131,998	44,500	948	382,355
Net book value at 1 April 2004	90,820	32,860	12,755	–	53,270	110,998	35,517	1,115	337,335

Assets are stated at current cost in the accounts and indexed annually, using indices supplied by HM Treasury, when no formal revaluation is undertaken. In accordance with Treasury requirements a revaluation of the Trustees' property holdings was undertaken at 31 March 2004 by Drivers Jonas, a firm of independent property consultants. The revaluation was in accordance with the Royal Institution of Chartered Surveyors' "new Red Book", RICS Appraisal and Valuation Standards. Tate Modern is held under a finance lease and has previously been held on the balance sheet at the present value of the future lease payments at the time of capitalisation. At March 2005, in accordance with NDPB Accounts Guidance, the asset was revalued based on the present value of Tate's current obligations under the lease, this equates to the commutation value of £131,998,000. There has also been a revision to the remaining useful life, which has been extended to cover the remaining lease term of 97 years. The result is both an increase in the value of the asset and a decrease in the amount of accumulated depreciation and depreciation charged in the year, which has reduced by £1,052,000 from the previous level of £2,413,000. 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 2005 represents fixed assets for:

Group	Land	Freehold buildings	Leasehold improvements	Assets in the course of construction	Plant and fit-out	Long leasehold	Works of Art	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Charitable activities	98,234	35,097	15,508	490	55,580	131,998	44,500	948	382,355
Other activities	–	108	–	–	–	–	–	1,065	1,173
	<u>98,234</u>	<u>35,205</u>	<u>15,508</u>	<u>490</u>	<u>55,580</u>	<u>131,998</u>	<u>44,500</u>	<u>2,013</u>	383,528

Tate's fixed assets are held to support charitable activities.

9 Subsidiaries

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

Tate Enterprises Limited

During 2003-04 Tate Enterprises Limited became a direct subsidiary of the Board of Trustees of the Tate Gallery. The change followed the previous parent, Tate Gallery Publishing Limited, transferring its entire holding of Tate Enterprises Limited shares to the Board of Trustees of the Tate Gallery. Tate Enterprises Limited's principal activities comprise the management and operation of 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 accounts. The business comprises the publishing, retail, catering and education operations of Tate.

	2005	2004
	£000	£000
Fixed assets	1,173	1,323
Current assets	7,499	6,665
Current liabilities	(5,356)	(4,548)
Net assets	3,316	3,440
Capital and reserves	3,316	3,440
	3,316	3,440
	2005	2004
	£000	£000
Turnover	25,164	22,117
Cost of sales	(13,229)	(11,495)
Gross profit	11,935	10,622
Other income	724	581
Administrative expenses	(9,351)	(8,588)
Trading profit	3,308	2,615
Interest receivable	165	115
Net contribution	3,473	2,730

The net contribution consists of £3,271,000 from publishing and retail operations and £1,287,000 from catering operations, before offsetting a deficit from education services of £1,085,000. Turnover includes £976,000 of sales to Tate. Administrative expenses include £109,000 of expenditure recharged by Tate.

Tate Gallery Publishing Limited

Tate Gallery Publishing Limited is a wholly owned subsidiary of the Board of Trustees of the Tate Gallery.

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 increased by £2,000 to £55,000 in the year.

10 Debtors

	Group		Tate	
	2005	2004 (restated)	2005	2004 (restated)
	£000	£000	£000	£000
Trade debtors	4,547	3,993	3,729	3,495
Amounts due from group companies	–	–	2,943	2,312
Amounts due from CGA bodies	21	42	21	42
Other debtors	774	61	762	51
Prepayments and accrued income	3,613	2,059	3,480	1,911
	8,955	6,155	10,935	7,811

Brought forward figures have been restated to show comparative figures for: amounts due from Central Government Accounts (CGA) bodies; prepayments and accrued income, the accrued income element of which was previously shown under other debtors.

11 Creditors: amounts falling due within one year

	Group		Tate	
	2005	2004 (restated)	2005	2004 (restated)
	£000	£000	£000	£000
Trade creditors	4,428	4,444	3,366	3,606
Amounts due to group companies	–	–	439	368
Amounts due to CGA bodies	16	8	16	8
Taxation and social security	1,065	893	408	392
Other creditors	908	304	696	102
Accruals and deferred income	5,213	7,174	4,686	6,518
Obligations under finance lease (Note 17)	3,264	2,799	3,264	2,799
	14,894	15,622	12,875	13,793

Brought forward figures have been restated to show comparative figures for: amounts owed to Central Government Accounts (CGA) bodies; taxation and social security; accruals and deferred income, the deferred income element of which was previously shown under other creditors.

Creditors: amounts falling due after more than one year

	Group		Tate	
	2005	2004	2005	2004
	£000	£000	£000	£000
Obligations under finance lease (Note 17)	128,734	126,833	128,734	126,833

12 Operating leases

At 31 March 2005 Tate had annual commitments under non-cancellable leases as follows:

	Land & Buildings £000	Other £000	2005 £000	2004 £000
Operating leases expiring within				
Two to five years	–	84	84	73
More than five years	219	–	219	217
	<u>219</u>	<u>84</u>	<u>303</u>	<u>290</u>

No other members of the Group hold operating leases.

13 Statement of Funds

	Opening Funds £000	Opening Transfers £000	Income £000	Expen- diture £000	Gain on investment/ revaluation £000	Closing Transfers £000	Closing Funds £000
Unrestricted							
<i>Designated</i>							
Works of Art	5,444	–	2,203	–	–	–	7,647
Buildings and equipment	12,959	356	1,604	(1,713)	126	7,000	20,332
Collection fund	–	–	–	–	–	18,047	18,047
Streamlining	294	–	–	(294)	–	–	–
	<u>18,697</u>	<u>356</u>	<u>3,807</u>	<u>(2,007)</u>	<u>126</u>	<u>25,047</u>	<u>46,026</u>
<i>General funds</i>	8,861	(498)	65,093	(62,873)	–	–	10,583
Total unrestricted funds	27,558	(142)	68,900	(64,880)	126	25,047	56,609
Restricted							
Tate Modern development	112,268	(242)	8,084	(7,110)	12	–	113,012
Buildings and equipment	112,481	342	239	(2,557)	456	–	110,961
Revaluation reserve	55,215	–	–	–	37,420	–	92,635
Works of Art	28,674	–	8,158	–	–	–	36,832
Acquisition Trust Funds	42	–	679	(38)	1	–	684
Other funds	23,933	42	2,759	(2,312)	789	(25,047)	164
	<u>332,613</u>	<u>142</u>	<u>19,919</u>	<u>(12,017)</u>	<u>38,678</u>	<u>(25,047)</u>	<u>354,288</u>
Endowments	335	–	–	–	19	–	354
Total funds	360,506	–	88,819	(76,897)	38,823	–	411,251

In 2004-05 various transfers between reserves were made. The major transfers relate to the Turner Insurance Fund, which was designated in the year (see below). A notional loan of £7,000,000 from the Turner Insurance Fund to the designated Buildings and Equipment Fund was discharged in the year, and the £18,047,000 remaining in the Turner Insurance Fund was transferred to the designated Collection Fund in March 2005.

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

Designated funds

Funds designated for a particular use by the Trustees.

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

Works of Art – funds applied towards the purchase of Works of Art for the Collection.

Buildings and equipment – funds applied towards the purchase of equipment and building works.

Collection fund – funds designated by the Trustees for the benefit of the Collection. £10,000,000 is allocated to a capital fund to support Tate’s Collection initiative – Building the Tate Collection. The income from this will be used to purchase works of art to enhance the Collection. The balance of the fund will benefit the long-term care of the Collection including research, conservation, and improving access to Tate’s Collection Store in Southwark.

Streamlining – funds applied to streamlining operations

General funds

Funds available for general use.

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 development – 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 5-yearly revaluation and the indexation of historical asset values to arrive at a modified historical cost. The reserve 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 D.G. Rossetti or his contemporaries.

Thomson Fund – for the purchase of Canadian Works of Art.

Other restricted funds include:

Insurance Funds – In 1995, following the theft of two works by JMW Turner while on display in Germany, Tate received £24,000,000 of insurance proceeds. In February 1999 the Trustees took the view that stolen works do normally re-appear and therefore purchased title to the stolen paintings from the insurers at a price significantly below the original £24,000,000 of proceeds. The purchase guaranteed that the works would be restored to the Turner Bequest should they re-emerge. In December 2002, the paintings were restored to the Turner Bequest.

During the year the Charity Commission agreed that the funds were available for the general purposes of the gallery and that Tate Trustees were free to use the funds for the benefit of the Collection as a whole. The Trustees have chosen to designate the funds to a Collection Fund and a transfer has been made to a designated fund to reflect this decision.

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 for 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. The capital remains permanently intact and only the income can be spent.

14 Analysis of net assets between funds

Funds balances at 31 March 2005 are represented by:

	Unrestricted funds £000	Restricted Funds £000	Endowment funds £000	Total 2005 £000	Total 2004 £000
Tangible fixed assets	27,980	355,548	–	383,528	338,658
Investments	21,226	172	354	21,752	15,463
Net current assets	7,403	127,302	–	134,705	133,218
Long term creditors	–	(128,734)	–	(128,734)	(126,833)
Total net assets	<u>56,609</u>	<u>354,288</u>	<u>354</u>	<u>411,251</u>	<u>360,506</u>

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

	2005 £000	2004 (restated) £000
Net incoming resources	11,922	8,089
Investment income	(7,036)	(5,647)
Depreciation	5,795	6,826
Impairment of fixed assets	–	6,533
Donations of Works of Art	(4,231)	(12,824)
Decrease in stocks	(223)	98
(Increase)/decrease in debtors	(2,800)	1,803
Increase/(decrease) in creditors	185	(683)
Net cash inflow from operating activities	<u>3,612</u>	<u>4,195</u>

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

	2005 £000	2004 £000
Decrease in cash in the year	(414)	(669)
Cash flow from management of liquid resources	(1,817)	6,424
Change in funds resulting from cash flows	(2,231)	5,755
Net funds at 1 April 2004	140,397	134,642
Net funds at 31 March 2005	<u>138,166</u>	<u>140,397</u>

(iii) Analysis of Movement in Funds

	2004 £000	Cash Flow £000	2005 £000
Tate Modern security deposit	116,669	2,129	118,798
Tate Modern funds	7,164	997	8,161
Liquid resources	13,394	(4,943)	8,451
	<u>137,227</u>	<u>(1,817)</u>	<u>135,410</u>
Cash	3,170	(414)	2,756
	<u>140,397</u>	<u>(2,231)</u>	<u>138,166</u>

(iv) Material non-cash transactions

	2005	2004
	£000	£000
Donations of Works of Art	4,231	12,824

16 Capital commitments

	2005	2004
	£000	£000
Financial commitments were as follows:		
Capital expenditure contracted for, but not provided in the accounts	–	66
Acquisition of Works of Art contracted for, but not provided in the accounts	758	1,033

17 Tate Modern Finance Leasing Structure

The Board of Trustees of the Tate Gallery (Tate) 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 Tate 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 Tate. The costs of construction were borne by TGPL and recovered from NWPIL in accordance with an agreed payment schedule.

Tate 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 Tate 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, Tate 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 20 and 21 to the accounts and is subject to a charge in favour of NWPIL. At the year end the deposit was £126,959,000 (2003-04 £123,833,000); 90% of the present value would be £118,798,000 (2003-04 £116,669,000).

The rental obligations to which Tate is committed are

	2005	2004
	£000	£000
In one year or less	3,264*	2,799*
Between one and two years	9,330	9,007
Between two and five years	30,049	29,008
Over five years	442,011	452,535
	484,654	493,349

*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 2004 £120,650,000 (£120,650,000 in 2003-04) has been capitalised in respect of the Tate Modern development; this has been revalued to £131,998,000 in 2004-05 to reflect the present value of Tate's obligations under the lease (£129,632,000 in 2003-04). Depreciation is provided over the remaining term of the lease, which stands at 97 years at the end of 2004-05. During the year the lease finance charge was £5,583,000 (£4,408,000 in 2003-04).

Tate 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.

Tate has loaned Works of Art to the following organisations during the financial year 2004-05, which have the Department for Culture, Media and Sport as a parent Department:

- British Museum
- English Heritage (Kenwood House; Ranger's House, Blackheath)
- Imperial War Museum
- National Gallery
- National Maritime Museum
- National Museums Liverpool (Lady Lever Art Gallery; Walker Art Gallery)
- National Portrait Gallery
- Victoria & Albert Museum

Tate has borrowed Works of Art from the following organisations during the financial year 2004-05, which have the Department for Culture, Media and Sport as a parent Department:

- Arts Council England
- British Library
- British Museum
- English Heritage
- Imperial War Museum
- National Gallery
- National Maritime Museum
- National Museums Liverpool
- 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. Except for the purchase of a work of art by Chris Ofili, 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 2005, Tate held £19,328,000 (2003-04 £23,721,000) in cash and bank deposits, £17,850,000 (2003-04 £23,569,000) of which was invested at floating rates, the remaining £1,478,000 (2003-04 £152,000) 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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