

MUSEUMS AND GALLERIES ACT 1992

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

The Wallace Collection
Annual Report and Accounts 2009-2010

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The Wallace Collection Annual Report and Accounts 2009-2010

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Annual Report

Background information

The Wallace Collection is the most intimate national museum in the world. Formed by four generations of Marquesses of Hertford and by Sir Richard Wallace (the illegitimate son of the fourth Marquess), between the 1780s and the 1880s, it was bequeathed to the nation by Lady Wallace in 1897. Her bequest stipulated that it should be preserved as a national museum ‘unmixed with other works of art’. The Collection contains Old Master paintings, miniatures, sculpture, French furniture, porcelain and goldsmiths’ work, European and Oriental arms and armour, and medieval and renaissance works of art. All are of the highest quality and of international importance. They are housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. Due to the fragility of many of the works of art, the house was adapted in the 1970s to incorporate the air conditioning and environmental controls required to preserve them. The Wallace Collection was opened to the public on 22 June 1900, and admission is free.

A Treasury Minute of 28 July 1897 appointed the first Board of Trustees, which acts on the authority of a Declaration of Trust dated 27 July 1899, and of the Museums and Galleries Act 1992, which specifies the Board’s general function to maintain, exhibit and grant access to, and promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Collection rests with the Secretary of State for Culture, Media and Sport, from whom the Collection receives a Grant-in-Aid out of monies provided by Parliament. The Collection is a Non-Departmental Public Body of the Department for Culture, Media and Sport. It is a charity exempt from registration under the provisions of the Second Schedule to the Charities Act 1993. It has a wholly-owned subsidiary, Hertford House Marketing Limited, whose results are consolidated with the Wallace Collection’s results for the purpose of these accounts.

Objectives

The 1992 Museums and Galleries Act sets the overall statutory objectives for the Wallace Collection. Its wording is as follows:

“(4) So far as practicable and subject to the provisions of this Act, the Wallace Collection Board shall maintain the collection of objects known as the Wallace Collection and shall—

- (a) care for and preserve the objects in their collection;
- (b) secure that the objects are exhibited to the public;
- (c) secure that the objects are available to persons seeking to inspect them in connection with study or research; and
- (d) generally promote the public’s enjoyment and understanding of fine and applied art both by means of the Board’s collection and by such other means as they consider appropriate.”

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The Trustees' therefore consider the Wallace Collection's principal aim is one of stewardship, specifically:

- To safeguard this unique and varied Collection, making it accessible for the present and preserving it for future generations

And to achieve this, the Collection's subsidiary aims are to:

- Promote the understanding and enjoyment of the Collection
- Maintain and improve the conservation and display of the works of art
- Foster and encourage the study of eighteenth-century French art and nineteenth-century collecting
- Maintain Hertford House and its services

In light of these aims the current Corporate Plan 2008-11 has the following objectives:

1) Scholarship

To enhance the Wallace Collection's reputation for scholarly research, by investing in research to create a number of academic catalogues on the core collection. Also through a programme of academic and educational activities to meet the needs of all our public from the school child to the international scholar. *Championed by the Collections and Academic Director.*

2) Cultural Diplomacy

To improve the way that we interact with our visitors, both at home and abroad. Firstly through physical improvements such as redesigning the front entrance to improve the welcome and information for visitors, and our physical signage and information on site. Secondly, through exploitation of the latest technological opportunities to develop new ways of connecting with our wider visitors, and informing them about our collection, both on site and around the world. *Championed by the Development and Marketing Director.*

3) Excellence

To continue with the capital projects and programme of gallery refurbishments and improvements. Thereby seeking to improve the understanding and appreciation of the core collection through its display within Hertford House; once again presented as an opulent family home. *Championed by the Finance and Operations Director.*

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The Collections

The works of art in the Collection comprise:

CATEGORY	ITEMS
Pictures (Paintings, Watercolours and Drawings)	775
Furniture	528
Ceramics	510
European and Oriental Arms and Armour	2,370
Sculpture	466
Miniatures	334
Medieval and Renaissance Works of Art (Jewellery, Enamels, Glass, Waxes and Manuscript Illuminations)	363
Goldsmiths' Work	120

These objects (5,466 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. They are housed in twenty-seven rooms and galleries on the ground and first floors, with additional Exhibition Galleries, Visitors' Library, Lecture Theatre, Meeting Room, Studio, Conservation Gallery and Reserve Collection Gallery on the lower ground floor.

The Old Master paintings are from the British, Dutch, French, Italian and Spanish schools (including works by Titian, Rubens, Rembrandt, and Frans Hals' *The Laughing Cavalier*), and are largely displayed in eight galleries on the first floor. The eighteenth-century French paintings (including Fragonard's *The Swing*), furniture, porcelain and goldsmiths' work, including many pieces from the royal chateaux of Versailles and Fontainebleau, represents one of the greatest collections of *ancien regime* art in the world, and is shown in twelve recently-refurbished rooms. The European and Oriental arms and armour, and medieval and renaissance works of art, are displayed in six ground-floor galleries, and sculpture and miniatures are dispersed throughout the house. We also have the national holding of oil paintings and watercolours by Bonington. Since all the works of art are of superlative quality, they are a source of study and enjoyment for scholars and visitors from all over the world.

Since the Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to or disposing from its permanent collection, objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection. There is also a handling collection of objects used for teaching and demonstration.

Structure, Governance and Management

The Organisational Structure

The Board of Trustees of The Wallace Collection is responsible for the overall management and direction of The Wallace Collection. The Trustees are appointed by the Prime Minister and are responsible to him or her through the Department for Culture, Media and Sport (DCMS). The Director of The Wallace Collection is responsible to the Board of Trustees and is accountable to the DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the Museums and Galleries Act 1992, the role of the Trustees is to establish The Wallace Collection's policy, review performance and endorse appointments to key management positions. The chief role of Trustees is to assist the Chairman in meeting the Board's overall responsibilities, in accordance with the policies of the Secretary of State. Trustees offer guidance and expertise to the Chairman on The Wallace Collection's strategy and its practical implementation.

The only Trustee sub-committee is the Audit Committee. The Board of Trustees (Annex A) meets not less than four times a year, as does the Audit Committee.

With the assistance of her Senior Management Team, the Director is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining the values of the Wallace Collection. This team comprises the Director of Collections, the Director of Development and Marketing and the Director of Finance and Operations. Each is supported by a number of department heads who are responsible for specific areas of activity within the Collection. The Senior Management Team meets once a week, the managers meet with Director and SMT once a month, and there is also a full staff meeting on a monthly basis.

Trustee Appointments

The minimum number of Trustees is set at six, and although there is no maximum, numbers have fluctuated over time between seven and eleven. At year-end the total were ten. Following a competitive process, and consultation with other Trustees and with the Director, the Chairman recommends nominees, no fewer than two for each Trusteeship at a time, to the DCMS who in turn recommends names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

The Trustees appoint their own Chairman, who normally serves until retirement from the Board. The Chairman can resign as Chairman by notice in writing to the Board. Trustees receive appropriate training on appointment, including receipt of a detailed Handbook setting out their responsibilities.

Volunteers

The Wallace Collection each year has a small number of opportunities for volunteer and intern positions. These vital volunteers help in curatorial, conservation, education and

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occasionally other departments. The Wallace Collection also has a long tradition of using highly knowledgeable guide lecturers to take group tours of the collection. We would not be able to function as effectively or inform the public so well without the support of these selfless individuals.

Relationship between the Charity and Related Parties

The Wallace Collection is an executive Non Departmental Public Body whose parent body is DCMS. DCMS is regarded as a related party. Details of related party transactions are contained in note 19 to the Accounts.

Review of the Year

The Trustees note with sadness that Dame Rosalind Savill recently notified them of her intention to retire as Director of The Wallace Collection in October 2011. Her outstanding dedication, vision, and drive in running The Wallace Collection will be sorely missed. The process to recruit her successor has begun with advertisements placed in the July 2010 editions of The Burlington and The Art Newspaper.

Gallery Refurbishment 2009-10

The Boudoir, West Room, Landing and Fernery have recently reopened. The two rooms, one for late-eighteenth century Sense and Sensibility and the French Revolution, the other for the links between France and Italy, were once Lady Wallace's private bedroom and boudoir. With the Landing and the Fernery, these mark the completion of eleven room refurbishments for eighteenth-century France since 1994. Only the Boudoir Cabinet remains and this is nearing completion. This has been a thrilling project, allowing our superlative collection to be seen in 'themed' rooms where works of art of a particular style or period come together in a more logical and enjoyable way; for example the Billiard Room shows the art of Louis XIV, the Small Drawing Room the early rococo, and the Study the age of Louis XVI and Marie-Antoinette. Each room is richly and intimately decorated, with special lighting to show the works of art to their best advantage.

The three West Galleries were renovated for the Damien Hirst exhibition with funds provided by the artist, and subsequent to the exhibition are now being adapted to create a new Venetian Gallery for our paintings by Canaletto and Guardi, and two galleries for our nineteenth-century paintings.

Design is well underway for the East Drawing Room and three East Galleries, all for Dutch and Flemish paintings, and a planning application has been submitted to Westminster City Council.

The Collections Department

2008-11 Corporate Plan Departmental Objective: Scholarship

To enhance the Wallace Collection's reputation for scholarly research, by investing in research to create a number of academic catalogues on the core collection. Also through a programme of academic and educational activities to meet the needs of all our public from the school child to the international scholar. *Championed by the Collections and Academic Director.*

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Currently, catalogues on Glass & Enamels, Sculpture and Gold Boxes are scheduled for publication in 2011. In 2010 a new edition of the Wallace Collection publication on Paul Delaroche appeared to coincide with the exhibition at the National Gallery and the exhibition catalogue of Peter Marino's bronzes was published. Later in the year a book on miniatures and a DVD-ROM publication of the European Arms and Armour collection will appear, and work is underway on a catalogue of Oriental Arms and Armour. All our new publications have been well received and have sold well. In addition, Wallace Collection curators have also published extensively in various academic journals during the year.

For educational activities see the Learning department below.

The Curatorial Department

The curatorial staff are responsible for the care, display and research of the Collection. They offer their scholarly expertise, they research and publish the works of art and they enable the public to understand and enjoy them more. Curators represent the Collection on outside bodies and are called on to act as expert advisers for Acceptance-in-Lieu cases, private treaty sale or export licence applications. While the Director of Collections was on a two-year sabbatical working on sculpture, the Curator of Old Master Paintings acted up as the Acting Head of Collections. Curators continued to teach on the two joint Wallace Collection MA courses, one with Buckingham University on Historic Interiors and the Decorative Arts, the other with the Courtauld Institute of Art, London University, on the Arts of Eighteenth-century France. The Department also offers monthly History of Collecting seminars which continue to be well attended by the wider museum and academic community, establishing the Wallace Collection as an acknowledged centre for the study of the history of collecting, in particular collecting in London and Paris during the 18th and 19th centuries. Our program to produce new, improved gallery sheets with information on all objects has continued, and the introduction of a new audiovisual guide also improves resources for our visitors. The Museum Network we have with the Holburne Museum, Bath, Waddesdon Manor, Buckinghamshire, the Bowes Museum, County Durham and Compton Verney, Warwickshire continues to thrive, see the Learning Department below.

The Conservation Department

Furniture and Metalwork conservation takes place in-house, and other materials are treated by external conservators.

In-house conservation has largely been concerned with preparing works of art for photography for catalogues or for display in the new galleries, as well as conducting a number of Condition Surveys. The total number of works of art given more substantial treatment in 2009-10 were: sculpture and works of art 2, furniture 8, arms and armour 250, and picture and miniature frames 309. The International Conservation Advisory Committee met in November to review the work of the Department during the last two years and to advise and comment on the work proposed for the next two years. This enables conservators to plan ahead with confidence, assured of the support of their peers both in the UK and abroad. The Committee applauded the successful introduction

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of digital recordings of the tunes in each of the two eighteenth-century French musical carillon clocks, so that these could play hourly without causing further wear and tear to the mechanism, while being followed by the hours being struck live.

External conservation in 2009-10 included pictures 5, arms and armour 3, furniture 2, gold boxes 11 and clocks 8. Most exciting was the work on Gainsborough's *Mrs Robinson* (or *Perdita* P42), by Viola Pemberton-Piggott. Tate Britain kindly offered conservation studio space for the treatment of this large full-length canvas and the work was funded by a donation from the Chairman, Sir John Ritblat.

The Learning Department

The highlight of the year was the success of the Department's first exhibition, '*Shh ... it's a Secret!*', see Exhibitions below. Also the Education Studio was refurbished, kindly sponsored by the Garfield Weston Foundation in honour of Mary Weston, and is now called the Mary Weston Studio.

The Museum Network

This, a partnership between the Wallace Collection and the Bowes Museum, Compton Verney, the Holburne Museum of Art and Waddesdon Manor, offered a number of joint projects despite the geographical distances between the organisations. The Network has continued to benefit enormously from DCMS/DCSF Strategic Commissioning funding to develop a series of successful schools' projects, new eLearning resources and community projects in 2009-10 and over the year all partner museums have participated in a series of on-site projects which have engaged school groups ranging in age from 4 to 18 years old.

Community and Access Programme

Community activities have continued to be a strong part of our programme, with highlights including joint events for blind and partially sighted visitors on eighteenth-century art and music at Handel House Museum and the Wallace Collection, a tour with Hearing Concern and training delivered with Deafworks for deaf and hard-of-hearing visitors.

Schools' Programmes

In addition to the usual schools visits, schools projects included teacher inset days on portrait busts and screen printing, a week of performances with historical figures connected with the Tudors, days around language and philosophy for students in partnership with Camden Council and the hospital school outreach programme was also expanded. For primary schools there were French language and culture sessions with a costumed actress playing Madame de Pompadour; sessions on oil painting and sculpture, and a visit from students from the Wallace High School, Lisburn. For secondary schools there were projects round the Damien Hirst exhibition together with the Turner Prize at Tate Britain and also the Roundhouse and Camden Council's Children's Services: Gifted and Talented, and architectural photography, and a design and technology workshop making gauntlets and sabatons out of neoprene.

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Children and Families

These included a new series of mother and baby sessions, joint events with the Wigmore Hall, and school holiday family activities, including a two-day oil painting workshop for children. Our annual Eighteenth-century Day continues to be our most popular family event.

Students and Public Programmes

In addition to our two joint MA programmes, see the Curatorial Department above, we ran programmes for textile students at the Chelsea School of Art and Design; there was a three-day Summer Art School in conjunction with Waddesdon Manor; and the 'Big Little Draw' enabled everyone to enjoy drawing in the galleries. We now have a firmly established programme of performances by costumed interpreters, and programmes were also delivered to coincide with the Henry VIII's 600th anniversary celebrations. In addition to at least one free lecture a day (given by each curator once a month or by our guide lecturers), there were regular tours of our three exhibitions, as well as study days, a guest lecturer series, and more handling sessions.

Exhibitions

Treasures of the Black Death (February-May 2009)

The exhibition was of two extraordinary hoards of jewellery, medieval silver vessels and coins, one discovered 650 years after it was concealed, probably by Jews at the most perilous time in their history prior to the Holocaust. They were discovered in the Jewish quarter of Colmar, France, in 1863 and in Erfurt, Germany, in 1998. The exhibition generated considerable publicity for the Wallace Collection in France, Germany, the United States and Israel, and attracted 42,641 visitors.

No Love Lost, Blue Paintings by Damien Hirst (October 2009-January 2010)

This exhibition showed twenty-five new paintings of memento mori by Damien Hirst. His return to painting, and to subjects found in the Old Masters, together with his desire to show them in a museum environment on walls covered in a Wallace Collection blue striped silk, made this an intriguing and unusual exhibition for us. It received a huge amount of media coverage, though few positive critical reviews. Conversely, the 85,000 visitors who came to see it made it the most successful exhibition we have ever had. It also attracted younger visitors, particularly students who, according to visitor comments, were surprised to discover the Wallace Collection and became enthused by our own paintings.

Shhh... it's a Secret! Unlocking the secrets behind the treasures of the Wallace Collection (February to March 2010)

This was the first exhibition ever mounted by children in a national museum. Our partners were the children of St Vincent's Primary School, Marylebone, aged between 8 and 11. Under the guidance of our Learning Department, they assembled a variety of works of art which had secrets associated with them. It was a tremendous success, attracting many children with their families (over 14,000 visitors in six weeks) and featuring prominently in the Times Educational Supplement, BBC London news and even Chinese TV. We understand that it has even encouraged some other museums to plan similar exhibitions with the help of young children.

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The Conservation Gallery Displays

The Conservation Department has shown two exhibitions: the newly-conserved eighteenth-century German commode (F521) by Johann Gottlob Fiedler, and *We've Got Mail*, a display exploring chain mail construction and conservation.

Other Special Displays

In addition to the *Treasure of the Month* series, we have run a series of displays of visiting masterworks including an Italian Renaissance bronze by Antico from the Thyssen-Bornemisza Collection and a Boulle cabinet-on-stand (formerly at Wrotham Park, accepted by HM Government in lieu of tax) displayed next to our example F16 for scholars to compare these two rare pieces.

Also Her Majesty the Queen kindly lent us the Royal Collection's oil sketch by Gainsborough for our portrait of *Mrs Mary Robinson (Perdita)* to compare with our painting when it returned from conservation. This was the first time the two pictures were together since our portrait was presented to the 2nd Marquess of Hertford by the Prince Regent in 1818. Curators from various museums were invited to discuss the relationship of the two versions.

Library and Archives

The retrospective book cataloguing project continues, while cataloguing of new acquisitions is kept up to date. The Visitor's Library is chiefly used by academic researchers, teaching staff, or postgraduate students, as well as the students on the two Wallace Collection MA courses, and the Courtauld Institute of Art's MA course, 'Curating the Art Museum'. Notable purchases this year include the following rare books: Jean-Baptiste de Monicart *Versailles Immortalisé par les Merveilles Parlantes des Bâtiments, Jardins...*, Paris, Ganeau & Quillau, 1720; a Minkoff reprint of Hurtaut & Magny *Dictionnaire Historique de la Ville de Paris et de Ses Environs*, originally published in 1779; François Lemée *Traité des statues*, Paris, Chez Arnoud Seneuze, 1688; and three nineteenth-century publications on the sculptor François Girardon.

Collections Information

Online object records have continued to be published on WallaceLive, with nearly 74% of the Collection now available, and daily additions of new photography continue to increase the value of WallaceLive as a visual resource. Conservation information has continued to be added to MuseumPlus, our Museum Collection's Management System, in order to help create a digital record of conservation reports.

Our new print sales website – Wallace Prints (www.wallaceprints.org) – was launched at the end of April 2009, offering the entire paintings collection for sale as prints and canvases, with the option of having them framed and delivered. The prints can also be accessed directly from Wallace Prints and Wallace Live, and Wallace Live can be accessed from the print sales site increasing the value of these two resources to our users.

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The Department of Development and Marketing

2008-11 Corporate Plan Departmental Objective: Cultural Diplomacy

To improve the way that we interact with our visitors, both at home and abroad. Firstly through physical improvements such as redesigning the front entrance to improve the welcome and information for visitors, and our physical signage and information on site. Secondly, through exploitation of the latest technological opportunities to develop new ways of connecting with our wider visitors, and informing them about our collection, both on site and around the world. *Championed by the Development and Marketing Director.*

The Front Entrance, Shop and Cloakroom Project was completed in Spring 2010. It was a major undertaking to improve our Front of House visitor services, notably creating a better visitor reception point in the Outer Hall, a much larger cloakroom facility for our increasingly-large numbers of visitors, and to make a new and more attractive Shop. The dark grey silk walls and gilded-wood furniture and fittings have proved beautiful and a huge success with our visitors, and we have also created a new Front-of-House Team. The capital project was generously funded by a combination of the DCMS/Wolfson Museums and Galleries Improvement Fund and the Museum's capital grant-in-aid provided by the DCMS.

For the technological opportunities, see below.

Visitors

Overall visitor numbers increased from 359,165 to 382,773 an increase of 6.6%. Following on from a record-breaking year in 2008-09, this has again exceeded our expectations with an increase in visitors for the fourth consecutive year. We believe that the increased and sustained activity in advertising and marketing across the UK and internationally over the last five years has contributed to this improvement, together with our refurbished rooms, highly successful exhibitions programme and activities for children and families. We have carried out a second full year's visitor research survey (as opposed to just a month at a time) in 2009-10 with Morris Hargreaves McIntyre, which has re-enforced our knowledge of the visitor satisfaction we provide. It demonstrates how successful we have been at attracting first time visitors, as well as providing us with a host of other interesting and important data for both the Collection and the DCMS.

Marketing, Press and Public Relations

The targeted advertising and media campaign continues successfully, with the Damien Hirst exhibition providing the resources to advertise on the buses for the first time. The media coverage of the exhibition programme, tube advertising (now seen by 20% of the visitors questioned in our survey) and carefully-placed pieces in a variety of publications has improved not only our visitor numbers but also the marketing of our permanent collections. Website traffic remains high and interest in the Collection did not wane after the Damien Hirst exhibition as might have been expected. Our Facebook and Twitter pages, together with Trip Advisor continue to be popular referrers to our website, in addition to Google searches.

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Income Generation

Fundraising

Despite the challenging economic climate, fundraising was again outstanding in 2009/10 and exceeded its targets. The Collection is as always extremely grateful to all its supporters for their contributions. Visitors to the Collection give generously through the donation boxes; trusts and foundations support many projects; individuals are members of our ever-growing membership scheme *Heroes and Heroines* and our Corporate Membership now stands at nine. The International Council is doing excellent work in recruiting new *Heroes and Heroines*. Capital fundraising has also achieved some excellent major donations from the Monument Trust, the Garfield Weston Foundation, the Wolfson Foundation, the DCMS/Wolfson Museums and Galleries Improvement Fund and Damien Hirst, together with generous donations from a number of other supporters. This has allowed us to complete four new galleries this year and confidently plan for the next phase of gallery improvements. The next four galleries will be the three East Galleries of Dutch paintings, and this has given us the opportunity to raise funds for a new area of the Collection and so look to a new supporter base.

Corporate Events Hire

The Collection continues to be considered a prestigious venue to hire, however events-hire incomes were down on 2008-09. This was due to a reduction in corporate bookings, following the global economic downturn. With this to consider, we should view making 96% of the targeted budget as an achievement. Despite signs of recovery in the corporate events market, 2010-11 will continue to be an extremely challenging year for the Department who work hard to market the Wallace Collection as a magnificent and special place to hold corporate and private events.

Retail and Visitor Services

The retail turnover was down against a very successful 2008-09, largely due to the closure and then temporary relocation of the Shop during the Front Entrance Project. However the newly-opened shop is clearly having a positive effect with strong sales in 2010. The younger age profile of our visitors in 2009-10 may also have had an impact, since they would have had less-disposable income to spend (which was borne out by lower donation box takings in 2009-10). Now we have the newly-expanded Front-of- House Team we are more confident for 2010-11, with the increased sales to date, and exciting merchandising projects such as the tie up with students at the London College of Fashion.

The Wallace Restaurant

The contract to run the restaurant was awarded to Peyton and Byrne in 2006, and the restaurant maintains the feel of an elegant, airy, courtyard, destination restaurant with a French character. Reviews of the Wallace Restaurant have been good, and this is reflected in increased numbers of patrons. Peyton & Byrne pays the Wallace Collection a percentage of turnover, with a guaranteed minimum. The increased numbers of patrons has led to a third successive increase in income from this source in 2009-10:

2009-10	£160,639
2008-09	£152,940
2007-08	£136,723

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The Finance and Operations Department

2008-11 Corporate Plan Departmental Objective: Excellence

To continue with the capital projects and programme of gallery refurbishments and improvements. Thereby seeking to improve the understanding and appreciation of the core collection through its display within Hertford House; once again presented as an opulent family home. *Championed by the Finance and Operations Director.*

While much of this work is described under Gallery Refurbishments above, it has been successfully managed by this Department and by the Project Manager who works with the Director.

Finance

The small team not only manage all the financial activities and controls in the Collection, they also liaise with the DCMS, the Audit Committee, the National Audit Office and other external auditors. They are required to oversee all capital building projects, all contracts, and income and expenditure.

The Facilities Department

This Department ensures that Hertford House remains wind and water tight, thereby minimising the risk to the collections. This is achieved by the day-to-day maintenance of the building and by managing the mechanical and engineering required to provide the works of art with the correct environment. In addition to involvement with the Projects Team in the gallery refurbishments, the Department has managed other building works including the fitting of new sound-proofed Lecture Theatre doors, replacing the back-up generator, completing the Learning Studio refurbishment and dealing with additional flash flooding problems above the East Drawing Room. It has also responsibility for the ICT infrastructure within the Wallace Collection which, following upgrades in recent years has been significantly more robust than in the past. Utility cost increases have placed pressure on limited budgets, particularly during the middle of the year with the spikes in electricity prices, but these have been mitigated where possible by using collaborative procurement arrangements.

The main project this year has been the re-tendering of the Collection's largest contract – the Mechanical and Electrical Engineering Contract. Following a thorough tendering and interview process, Sykes and Son Limited were successful in their bid and began onsite in April 2010.

The Security Department

The Security Department includes both the team of security staff that provide 24/7 security cover for the Collection plus the gallery teams that work within the galleries during opening hours. The external risks that impact on the security of the Collection are monitored, with policies and procedures updated accordingly to minimise the risk of loss or damage to the collections. The Head of Security chairs the Security Committee with the Director and key stakeholders to formulate security strategy and policies for the Collection. Improvements continue to be made to technological and physical security, primarily to take advantage of the opportunities afforded by the gallery refurbishment

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programme, thereby ensuring a more robust security position. The training programme put in place for both the security and gallery teams has continued to evolve and ensures that the Collection's staff can both support the visitor and secure the works of art.

Thanks to the commitment and dedication of our staff gallery closures have been kept to an absolute minimum during the year.

Human Resources

As with every year, the Personnel Manager has had to keep on top of the six monthly changes in employment law, plus assisting managers in all aspects of personnel management, and overseeing staff recruitment. He oversees the welfare and personnel issues of approximately 100 staff.

Performance

The relationship between The Wallace Collection and its sponsoring body, the DCMS, is largely defined by a Funding Agreement. 2009-10 was the second year of a three-year agreement.

The Funding Agreement sets out three key objectives for 2008-11, which were arrived at as part of The Wallace Collection's corporate planning process. The key objectives for that period are:

1) **Scholarship**

To enhance the Wallace Collection's reputation for scholarly research, by investing in research to create a number of academic catalogues on the core collection. Also through a programme of academic and educational activities to meet the needs of all our public from the school child to the international scholar. *Championed by the Collections and Academic Director.*

2) **Cultural Diplomacy**

To improve the way that we interact with our visitors, both at home and abroad. Firstly through physical improvements such as redesigning the front entrance to improve the welcome and information for visitors, and our physical signage and information on site. Secondly, through exploitation of the latest technological opportunities to develop new ways of connecting with our wider visitors, and informing them about our collection, both on site and around the world. *Championed by the Development and Marketing Director.*

3) **Excellence**

To continue with the capital projects and programme of gallery refurbishments and improvements. Thereby seeking to improve the understanding and appreciation of the core collection through its display within Hertford House; once again presented as an opulent family home. *Championed by the Finance and Operations Director.*

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These objectives are already being achieved: the Collection continues to invest in research and as noted under the publications section above The Wallace Collection has begun an ambitious programme around new catalogues. The success of our educational and public activities is explained above under the learning section. The marked changes in the Front Entrance together with the continued investment in Wallace Live show how we are improving the way we interact with our visitors. Finally, the completion of the Phase III gallery refurbishments and the ongoing work on the fabric of the building is creating a richer experience for our visitors.

The Collection and the DCMS also continue to monitor performance against performance indicators, however unlike in previous years the DCMS no longer sets targets in relation to these performance indicators, some of the data from these together with comparatives is detailed below.

Access

Following a record-breaking year for visitor numbers in 2008-09 the Collection again went one further in 2009-10 with overall visitor numbers increasing from 359,165 to 382,773. This success is not down to any one factor. It can however be attributed to a range of factors including increased advertising, the newly re-opened refurbished galleries, the success of our exhibition programme, and strong word of mouth over the quality of our core collection.

Audience Profile

Visits of children also increased on last year thanks to a combination of targeted marketing and a successful and varied learning and public programme (see above). Visits of children under 16 years old were 28,530 in 2009-10 (2008-09: 24,984).

Learning and Outreach

Visitors to the Wallace Collection's learning programmes in 2009-10 were 35,387 adults and 15,385 children (2008-09: 29,927 and 14,774 respectively). This again is as a result of targeted marketing, the hard work put in by the learning team, and the varied and innovative programmes available.

Self Generated Income

The Collection has once again worked extremely hard on self-generated income in 2009-10 in order to facilitate all of its key objectives. Despite events revenues being down on last year, overall self-generated income has increased, in particular as a result of the successful capital income fundraising, and the Collection's proportion of Grant-in-aid as a percentage of total income has reduced as a result down to 54% for 2009-10 (2008-09: 60%).

Sources of data

The Collection measures against these and other performance indicators and returns this data to the DCMS periodically. The sources of the various data collected and collated are detailed below:

The Wallace Collection Annual Report and Accounts 2009-10

Visitor numbers are collected through an electronic counting device at the only visitor entrance. Child visits are also collected by a manual counting system, cross-checked against occasional CCTV evidence. The socio-economic profile of our visitors is a percentage generated from our annual visitor surveys, which is then applied to the total number of adult visitors. Learning numbers are kept automatically by the learning department for the sessions that they run. Our website automatically registers the number of visitors to our site. Net income from trading is taken directly from the accounts of our trading company, Hertford House Marketing Limited. All of these sources help the Collection to monitor and report on its performance to the DCMS.

The Wallace Collection Annual Report and Accounts 2009-10

Financial Review

Financial results

Net incoming resources in the year amounted to £1,729,000 (2008-09-£955,000). This operating surplus is primarily a result of a successful year of self-generated income, and the £800,000 from the Monument Trust carried forward as a restricted fund. In addition a further £100,000 is also carried forward in restricted funds for Phase IV from the Garfield Weston Foundation. The underlying surplus on a standard income and expenditure account, after adjusting for capital items, was £595k (2008-09: £101k).

During the year the Collection capitalised costs totalling £1,856,000 (2008-09 – £1,307,000) as assets under construction, which attract no depreciation charge, in relation the Phase III Gallery refurbishments, the Front Entrance project, preparatory Phase IV costs and other smaller ongoing capital projects. At the year end the Collection transferred £2,964,000 of Assets under Construction to Land and Buildings and Fixtures and Fittings with the completion of Phase III and the Front Entrance Project.

The key financial risks to the Collection continue to be the ongoing security of income streams, from both Grant-in-aid and self generated sources (in particular in the current economic climate) and the costs of the ambitious Gallery refurbishments in light of the relatively high fixed costs of maintaining and opening the Collection to the public.

The main features of the financial results were:

- (a) Grant in Aid income for the year was £4,301,000, (2008-09: £4,228,000). This includes £1.5m awarded towards capital improvements to Hertford House, (2008-09 £1.5m) and represents 54% of the Collection's total income for the year (2008-09 60%);
- (b) Fund raising expenditure amounted to £167,000, (2008-09: £186,000). The reduction is a result of staffing changes in the department during the year;
- (c) Marketing and design expenditure amounted to £299,000 (2008-09: £286,000). This reflects a continued focus on the ongoing advertising strategy which has been instrumental in increasing awareness and visitors to the Collection;
- (d) Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £822,000 (2008-09: £808,000). This increase reflects the increased staffing for the new Front of House team – overall income from trading activities was down due to a drop in gallery hire and retail revenues;
- (e) Conservation expenditure amounted to £280,000 (2008-09: £294,000). The 2008-09 figure includes several major external costs due to the external conservation that took place during that year, 2009-10 is down slightly on this, with the next major external conservation due to take place in 2010-11 with the Reynolds conservation project;
- (f) Collection expenditure amounted to £1,523,000 (2008-09: £1,492,000). The increase reflects the additional sums invested in the exhibition programme in year;

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- (g) Security expenditure in 2009-10 was £1,342,000 (2008-09: £1,365,000). Savings were found by reducing the need for external absence cover;
- (h) Building and maintenance expenditure (other than the charge for depreciation) amounted to £931,000 (2008-09: £942,000) and was in line with expectations, increased electricity costs being offset by a rates rebate;
- (i) Other than the charitable donation from Hertford House Marketing Limited to its parent organisation, The Wallace Collection, there were no charitable donations made in the year. £70,500 was received in year from the DCMS/Wolfson Museums and Galleries Improvement fund towards the refurbishment of the Collection.

Reserves policy

The policy of The Wallace Collection is to seek to establish, and then maintain, a level of unrestricted reserves of over £500,000. These are required to provide adequate working capital to ensure that The Collection can operate efficiently and effectively and also to sustain its level of activities by providing some protection against an unexpected downturn in non-grant revenue. At 31 March 2010, the Collection's unrestricted reserves of £330,000 were below the target level. It is the policy of the Trustees that this target be achieved within the next three years by increasing reserves from self-generated revenues. The reserve policy will be reviewed on an annual basis.

Fixed assets

Movements on fixed assets are set out in note 9 to the financial statements. A summary of the key movements are as follows:

- Freehold Land and Buildings were re-valued by reference to appropriate indices at 31 March 2010 to £35,664,000 after transfers. This resulted in a revaluation decrease of £306,000 in 2009-10;
- Total additions during the year amounted to £1,951,000, which primarily related to capital expenditure on the gallery refurbishments and the Front Entrance project;
- Depreciation charge for the year is £818,000. The building is being depreciated over an expected remaining life of 96 years. It is, nevertheless, the Trustees' intention to continue to maintain and improve Hertford House, subject to the availability of adequate funding.

Payment of creditors

During 2009-10 The Wallace Collection paid 88% of undisputed creditors within 30 days of receipt of an invoice (2008-09: 90%).

Reference and Administrative Details of the Charity, its Trustees and Advisors

A list of the Trustees, Senior Officers and Advisors to The Wallace Collection and Hertford House Marketing Ltd is at Annex A.

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992. The accounts are compliant with the Charities SORP 2005 and with Charity Commission guidance.

The consolidated accounts are for The Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Hertford House Trust and the American Friends of The Wallace Collection. This is because these are entirely separate organisations over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Collection's consolidated accounts for the year 2009-10. The audit fee in respect of this work was £17,900. Other than the statutory audits of the Wallace Collection and Hertford House Marketing Limited, and an internal audit service, no other accountancy or audit services were commissioned or undertaken in the year.

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

Staff and organisation

The Wallace Collection is an Equal Opportunity Employer and has agreed statements of policy under Section 2(3) of the Health and Safety at Work Act 1974. Senior officers meet weekly as well as monthly and communicate with staff through weekly team briefings, the full formal monthly staff meetings and regular staff notices and through the Collection's Health and Safety organisation as well as through informal meetings. The Wallace Collection follows the policy issued by the Cabinet Office on the employment of disabled people.

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Data Handling

There were no personal data related incidents during the year.

Sickness Absence

Sickness absence accounted for 3.8% of all staff time during 2009/10 (2008/09: 3.8%), or 9.7 days per staff member (2008/09: 9.6), however this includes (and is therefore skewed by) those staff members off on long-term sick leave. When these are excluded, the remaining staff absence accounted for 2.2% of staff time (2008/09: 1.6%), which equates to 5.5 days per staff member (2008/09: 4.1).

Remuneration Report

Salary Policy

The Wallace Collection does not have a Remuneration Committee. The Audit Committee can act in lieu of a Remuneration Committee. All staff are employed through the Wallace Collection on equal terms and conditions, including trading company staff. Salaries are reviewed on an annual basis, and uplifted at the start of the financial year. The amount that can be spent on salaries is set each year by the Department for Culture, Media and Sport and HM Treasury.

All staff are positioned within pay bands. No allowances are in payment, other than standard overtime amounts.

When determining salary levels, a number of factors are taken into account

- the projected budget for the annual staff settlement
- salary levels internally and in the market place (through salary surveys)
- job size and whether this has changed over the period (through formal evaluation, where applicable)

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Senior Management Emoluments

	Salary, including performance pay 2009/10 (2008/09)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/3/10 and related lump sum	Cash Equivalent Transfer Value at 31/3/09	Cash Equivalent Transfer Value at 31/3/10	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£k	£k	£k	Nearest £k	Nearest £k	Nearest £k
Dame Rosalind Savill <i>Director</i>	115-120 (110-115)	2.5-5 plus 10-15 lump sum	45-50 plus 145-150 lump sum	965	1,100	82
Miss Clare O'Brien <i>Development and Marketing Director</i>	60-65 (60-65)	0-2.5 plus 2.5-5 lump sum	5-10 plus 15-20 lump sum	91	112	13
Mr Philip Walsh <i>Finance and Operations Director</i> (from 4 August 2008)	55-60 (35-40 full year equivalent: 55-60)	0-2.5	2.5-5	24	36	9
Mr Christoph Vogtherr <i>Head of Collections</i> (from 1 July 2008)	50-55 (35-40 full year equivalent: 50-55)	0-2.5	2.5-5	16	28	9
Mr Jeremy Warren <i>Collections and Academic Director</i>	60-65 (60-65)	0-2.5 plus 0-2.5 lump sum	20-25 plus 35-40 lump sum	365	411	20

Salary includes gross salary, performance pay or bonuses, overtime, and any other allowances to the extent that it is subject to UK taxation. The figures in the remuneration report are subject to audit.

The above table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. A CETV is a payment made by the pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of Nuvos.

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A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. Note that the figure for CETV may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The Director's salary, terms and conditions are decided by the Chair of Trustees following consultation with the Department for Culture, Media and Sport. Any award is in line with the recommendations of the Senior Salary Review Board. The Director's bonus is decided by the Chairman in consultation with the Trustees, based on the restrictions of the Director's contract and against achievement of the Collection's objectives.

During the year the Director received remuneration of £119,898 (2008/09: £114,462) including an annual bonus paid in the year. The Director's pension contributions of £25,531 (2008/09: £25,765) were charged to the Collection. Neither the Director, nor any other member of staff, received any benefits-in-kind in year. During the year the Director announced that she will retire from the Collection in October 2011.

The salary and terms and conditions of the senior managers, other than the Director, are the same as all other members of staff. All senior managers are on permanent contracts.

Performance Management

Performance is formally appraised annually, although ongoing performance management is encouraged. Performance is judged by reference to achievements against set objectives. Performance related pay is not in operation. Bonuses, from a small overall fund, are awarded at the discretion of the Director following recommendations from line managers.

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Pensions

All Wallace Collection employees are eligible to join the Principal Civil Service Pension Scheme or the Partnership Scheme, which is a stakeholder pension scheme. Full pension details are set out in note 6 to the accounts.

Benefits in Kind

Benefits in kind, as agreed with HM Revenues and Customs, comprise annual eye tests, annual flu inoculations, and staff uniforms where appropriate. The taxable value of these benefits each year, as agreed with HMRC, is less than one thousand pounds across the entire staff group.

- There were no other benefit in kind or non-cash payments in year;
- No severance or compensation payments were made to any staff in year;

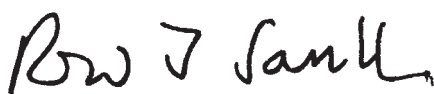
Policy on duration of contracts, notice periods and termination payments

Notice periods for senior employees are usually three months, with one month for other employees. Termination payments are in accordance with The Wallace Collection contractual terms.

Where new posts are being considered they are usually made on a fixed term basis. The length of term is usually two years, unless tied to specific funding or a project of shorter length. Positions are then only made permanent once the ongoing need, and the funding for the post, is agreed.

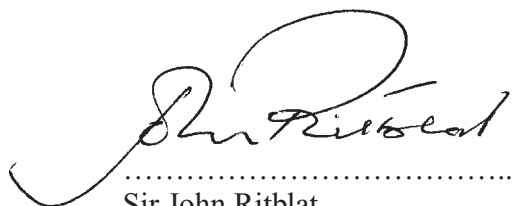
Trustees

Trustees receive no remuneration for carrying out their role.



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Dame Rosalind Savill
Director and Accounting Officer

15 July 2010



.....
Sir John Ritblat
Chairman

15 July 2010

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Annex A – Trustees

The Trustees of The Wallace Collection are appointed by the Prime Minister.

The members of the Board of Trustees during the year were:

Sir John Ritblat	– appointed August 2003, appointed Chairman from January 2005.
Dr Fram Dinshaw*	– appointed March 2001, term expired January 2010
Martin Drury CBE	– appointed May 2001
Dr Richard Dormont	– appointed July 2003
Sir Timothy Clifford	– appointed August 2003
Mr Adrian Sassoon	– appointed August 2007
Duke of Devonshire	– appointed August 2007
Mr Jasper Conran OBE	– appointed August 2007
Ms Jagdip Jagpal*	– appointed August 2007
Professor Frances Corner OBE*	– appointed October 2009
Ms Denise Lewis	– appointed October 2009

* Denotes members of the Audit Committee

In addition, the Board of Trustees may appoint honorary trustees, who do not share the statutory duties of Board members.

Mrs Jane Lewis	– appointed January 1998
Mr Pierre Arizzoli-Clementel	– appointed August 2007
Lord Hertford	– appointed July 2008

A register of interests for all Trustees is held at Hertford House.

The Directors of Hertford House Marketing Limited during the year were:

Sir John Ritblat
Dame Rosalind Savill DBE CBE FSA

Principal Officers of The Wallace Collection

Dame Rosalind Savill DBE CBE FBA FSA	– Director
Mr Jeremy Warren FSA	– Director of Collections and Academic
Mr Philip Walsh ACA	– Director of Finance and Operations
Ms Clare O'Brien	– Director of Development and Marketing

Bankers:

Lloyds TSB Corporate
Public and Community Sector
25 Gresham Street
London EC2V 7HN

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Auditors:

The Wallace Collection
(Consolidated Accounts)

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

Hertford House Marketing Limited
(Trading Company)

Haysmacintyre
Southampton House
317 High Holborn
London WC1V 7NL

Annex B - Wallace Collection Supporters 2009-10

Individuals

Anonymous
Lady Alexander of Weedon
Mr Sandy Arbuthnot
Mr & Mrs Armitage
Mr Richard Aylmer
Graham & Gail Banham
Mr & Mrs David Blackburn
Mr Benjamin Bonas
Mr Michael Boxford
The Rt Hon Viscountess Bridgeman
Charles & Rosamund Brown
Mrs James Brice
Mr & Mrs Peter Cadbury
Mr Charles Cator
The Marquess of Cholmondeley
Mr & Mrs Charles Booth-Clibborn
Mr & Mrs Oliver Colman
Mrs Fiona Costa
Mme Helene David-Weill
Mr Richard Denolle
Mr Richard Dorment
Dame Vivien Duffield
Mr & Mrs Nicholas Eeley
Mr Marc Elardo
Mr Giles Ellwood
Mrs Emrys-Robert
Dame Amelia C Fawcett DBE CBE
Lt. Commander Paul Fletcher
Mr Francis Ford
Mrs Jocelyn Fox
Mrs Helena Frost
Mr Jonathan Gestetner
Mr & Mrs Andrew Graham
Mrs Helen Gross
Mr & Mrs Charles Haddon-Cave
Martin Halusa
Mrs Katrin Henkel
Lady Heseltine
Damien Hirst
Ms Jasmine Horowitz
Mrs Della Howard
Mr & Mrs Philip Hubbard
Mr Hugh Hudson-Davies
Russell & Irina Jacobs
Lady Judge
Mr Willie Kessler
Mr & Mrs James Kirkman
Mr & Mrs Henry Kravis
Mr Norman A. Kurland & Ms Deborah A. David
Mr & Mrs David Lavender
Elizabeth Louis
Elizabeth S & Whitney MacMillan
Mr Peter Marino
Mrs Ingrid McAlpine
Dr. Jennifer Montagu
Mrs Dounia Nadar
Mr & Mrs Jim Norling
Mrs Annie Norman
Mr & Mrs John Northover
Mr Matthew Olley
Mrs C. Oulton
Mr Beville Pain
Mrs Fred Packard
Mrs Roslyn Packer
The Lord Phillimore
Lady Phillips
Catherine Prevost Heeschen
Mr Charles Pridgeon
Sir John Ritblat
Mrs Pamela Roditi
Mrs Kate de Rothschild Agius
Mrs Wafic Saïd
Bryan & Sirkka Sanderson
Lord Sassoon, Kt
Mr Timothy Schroder
Mr Charles Sebag-Montefiore
Mrs Kartika Soekarno
Carol Stone
Christoph Gailly de Taurines
Mr Torsten Thiele
Mrs Valentine Thomas
Dr Lady Tunnicliffe
Mrs Jane Wainwright
Mr Alan Warner
The Hon Mrs Simon Weinstock
Mr Clement Wheeler
Mr & Mrs William Hallman
Mr Pierre & Dr Yvonne Winkler

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Trusts and Foundations

The Elizabeth Cayzer Charitable Trust
Excel Fund
The Idlewild Trust
The Kirby Laing Foundation
The Leche Trust
The Lynn Foundation
The Monument Trust
The Henry Moore Foundation
The Pilgrim Trust
The William Arthur Rudd Memorial Trust
The Schroder Foundation
The Garfield Weston Foundation
The Barbara Whatmore Charitable Trust

Corporate Members

Colliers CRE
Delancey
Fortelus Capital Management
Macquarie
London Platinum and Palladium Market
Boston Consulting Group
Pentland Group plc
The Portman Estate
Total

Government

The Department for Culture, Media and Sport
The Department for Children, Schools and Families

Statement of Trustees' and Accounting Officer's Responsibilities

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

In preparing the Collection's accounts*, the Trustees are required to:

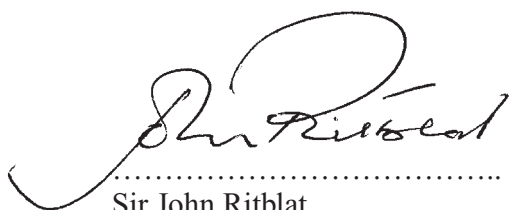
- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practices 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 the Collection will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for the Collection. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Managing Public Money.



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Dame Rosalind Savill
Director and Accounting Officer

15 July 2010



.....
Sir John Ritblat
Chairman

15 July 2010

* A copy of which is available from the Wallace Collection, Hertford House, Manchester Square, London, W1U 3BN

Statement on Internal Control

Scope of responsibility

1. As Accounting Officer and Chair of Trustees (as representative of the Board of Trustees), we have responsibility for maintaining a sound system of internal control that supports the achievement of The Wallace Collection's aims and objectives whilst safeguarding the public funds and the Collection's assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to her in Managing Public Money.
2. The Wallace Collection has a three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes performance indicators to assist the Department in monitoring the Collection's performance and identifies the most significant risks to achieving The Wallace Collection's objectives. Progress against Funding Agreement is formally monitored during the year.

The purpose of the system of internal control

3. 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 departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Wallace Collection for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance. The Collection also complies with Cabinet Office guidance in relation to the treatment of personal data.

Capacity to handle risk

4. Risk management is an intrinsic part of the everyday decision-making process at The Wallace Collection. Given the tight financial constraint that The Wallace Collection has operated under for many years, it is only natural that risk is considered as part of every management and Trustee decision. This is not only limited to financial risk, where every new project is carefully costed, budgeted for and monitored, but the risk to the fragile Collection and the fabric of Hertford House that is entrusted to our care. The risk assessment and monitoring process is engendered in all staff through the discipline of the budgeting round, plus overt consideration in each of our weekly staff meetings where the topic is a mainstay of discussion. For major projects a Steering Group is established, headed by a senior staff member, and they are charged with ensuring that the project operates to set parameters and budgets. Thus the risks inherent in any new venture are weighed up carefully in advance and are monitored throughout the duration of the project.

The risk and control framework

5. An integral part of our risk management strategy is The Wallace Collection's own risk assessment document. This is updated regularly and is reviewed by the Audit Committee at their quarterly meetings, covers the key risks that the Collection faces and assigns a key individual to manage that risk. Risk is also considered on a continuous basis through

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discussion at weekly staff meetings, drawing on the experience of senior team members. Managers are aware of the specific need to control information flow and data within their departments.

6. The Collection's risk appetite is necessarily low, given the history of enforced financial constraint. However where funding has been available, the Collection has in recent years been able to undertake several phases of gallery and building refurbishment. Where the Collection has embarked upon such capital projects, they have first been robustly costed and considered in the context of the potential benefits and risks to the Collection, be they financial, reputational or otherwise.

7. The risk priorities of The Wallace Collection in 2009-10 have been:

- Managing the impact of increasing visitor numbers whilst improving their understanding of the Collection;
- Managing the impact of the Gallery refurbishments and other capital projects;
- Planning for the future against a backdrop of potentially reduced funding;
- Increasing self generated income without increasing the risk to the fabric of the building;
- Securing the Collections and protecting them from theft and damage; and
- Keeping the precarious balance between financial constraint, increasing pressure to expand services and maintaining and improving the fabric of a Grade II listed building.

Review of effectiveness

8. As Accounting Officer and Chair of Trustees, we have joint responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control has been informed by the executive managers within The Wallace Collection who have responsibility for the development and maintenance of the internal control framework, and comments made by the internal and external auditors in their management letter and other reports.

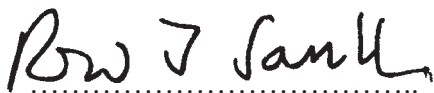
9. An internal audit service continued throughout the year. Once again the internal auditor was able to provide the Accounting Officer and Board of Trustees with a significant assurance statement for 2009-10. Internal Audit's overall assessment was that the controls in place were generally sound. Where minor deficiencies have been found action is in place to improve processes. The 2009-10 internal audit was targeted to look at specific areas considered higher risk and relevant by the Audit Committee (including contract tendering). This approach will be adopted again for the 2010-11 audit.

10. Both the Board of Trustees and the Audit Committee play a key role in the system of Internal Control:

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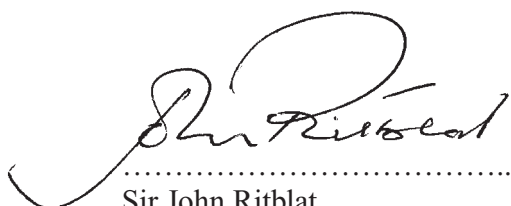
- The Trustee Board brings wide-ranging experience and a fresh perspective to key decision-making discussions. All key issues are brought to the Trustee Board's notice for discussion and ratification; and
- The Audit Committee meets up to four times a year. They support the main Trustee Board and the Accounting Officer by questioning senior management and internal/external audit functions to satisfy themselves that The Wallace Collection has an adequate system of internal control.

11. We have been advised on the implications of the internal audit and audit committee reviews of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place, however we note that there were no significant issues arising.



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Dame Rosalind Savill
Director and Accounting Officer

15 July 2010



.....
Sir John Ritblat
Chairman

15 July 2010

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THE WALLACE COLLECTION

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of The Wallace Collection for the year ended 31 March 2010 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Collection Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and the Director, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the Statement of Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. I report to you whether, in my opinion, the information, which comprises the Background Information; Structure, Governance and Management; Review of the Year; Performance; Financial Review; and Reference and Administrative details of the Charity, its Trustees and Advisors, included in the Annual Report, is consistent with the financial statements. I also report whether the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if The Wallace Collection has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects The Wallace Collection's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of The Wallace Collection's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report and the Annexes. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

The Wallace Collection Annual Report and Accounts 2009-10

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to The Wallace Collection'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources funded by 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 and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury, of the state of The Wallace Collection and the group's affairs as at 31 March 2010 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury; and
- the information, which comprises the Background Information; Structure, Governance and Management; Performance; Financial Review; and Reference and Administrative details of the Charity, its Trustees and Advisors, included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

London SW1W 9SP

23 July 2010

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Consolidated Statement of Financial Activities for the year ended 31 March 2010

	Notes	Unrestricted Funds	Restricted Funds	Total 2009/10	Total 2008/09
		£000	£000	£000	£000
Incoming resources					
Incoming Resources from generated funds					
Voluntary Income					
Donations and similar resources	2	395	1,737	2,132	1,173
Grant-in-Aid	2	4,301	0	4,301	4,228
Other Public Funds	2	0	160	160	160
Activities for generating funds					
Trading income	15	1,263	0	1,263	1,450
Investment income	4	3	1	4	37
Incoming resources from charitable activities	3	79	0	79	48
Total incoming resources		6,041	1,898	7,939	7,096
Resources expended					
Costs of generating funds					
Costs of generating voluntary income					
Fundraising expenditure		167	0	167	186
Marketing and design expenditure		299	0	299	286
Trading: cost of goods sold and other costs	15	822	0	822	808
Charitable activities					
Conservation expenditure		250	30	280	294
Collections expenditure		923	600	1,523	1,492
Security expenditure		1,342	0	1,342	1,365
Building and maintenance expenditure		1,198	541	1,739	1,666
Governance Costs	5	33	5	38	44
Total resources expended		5,034	1,176	6,210	6,141
<i>Net (outgoing)/incoming resources before notional costs</i>		1,007	722	1,729	955
Notional costs of capital	7	146	40	186	151
Net incoming/(outgoing) resources including notional costs		861	682	1,543	804

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	Notes	Unrestricted Funds	Restricted Funds	Total 2009/10	Total 2008/09
		£000	£000	£000	£000
Reversal of notional costs of capital		146	40	186	151
Net incoming resources before transfers		1,007	722	1,729	955
Transfers					
Gross transfers between funds	13	(856)	856	0	0
Net incoming resources before other recognised gains and losses		151	1,578	1,729	955
(Loss)/Gain on revaluation of fixed assets for charity's own use	13	(65)	(262)	(327)	(5,834)
Net movement in funds		86	1,316	1,402	(4,879)
Fund Balances Brought Forward at 1 April 2009		5,146	31,301	36,447	41,326
Fund Balances Carried Forward at 31 March 2010	13	5,232	32,617	37,849	36,447

All operations of the Collection continued throughout both periods and no operations were acquired or discontinued in either period.

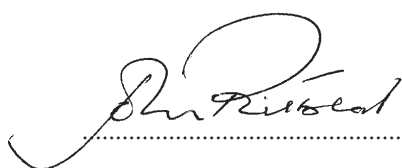
The Collection has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains or losses has been presented.

The notes on pages 41-57 form part of these financial statements.

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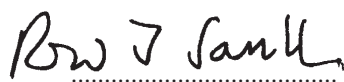
Consolidated Balance Sheet at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	9	<u>36,197</u>	<u>35,391</u>
Current assets			
Stock		220	231
Debtors	10	355	441
Cash at bank and in hand	14	<u>1,808</u>	<u>1,157</u>
		2,383	1,829
Creditors: amounts falling due within one year	11	<u>(731)</u>	<u>(773)</u>
Net current assets		1,652	1,056
Net assets	12	<u>37,849</u>	<u>36,447</u>
Represented by:			
Restricted income funds	13	32,187	30,609
Restricted revaluation reserve	13	430	692
Unrestricted funds:			
Designated funds	13	4,706	4,573
Unrestricted revaluation reserve	13	196	261
General funds	13	<u>330</u>	<u>312</u>
Total funds	13	<u>37,849</u>	<u>36,447</u>



Sir John Ritblat – Chairman

15 July 2010



Dame Rosalind Savill – Director
and Accounting Officer

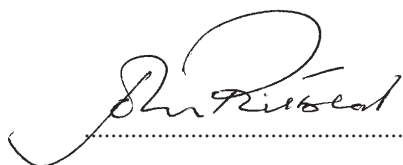
15 July 2010

The notes on pages 41-57 form part of these financial statements.

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The Collection Balance Sheet at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investment	15	0	0
Tangible assets	9	36,175	35,361
		<u>36,175</u>	<u>35,361</u>
Current assets			
Stock		96	116
Debtors	10	620	1,005
Cash at bank and in hand		1,527	593
		<u>2,243</u>	<u>1,714</u>
Creditors: amounts falling due within one year	11	<u>(601)</u>	<u>(654)</u>
Net current assets		1,642	1,060
		<u>37,817</u>	<u>36,421</u>
Net assets			
Represented by:			
Restricted income funds		32,187	30,609
Restricted revaluation reserve		430	692
Unrestricted funds:			
Designated funds		4,684	4,543
Unrestricted revaluation reserve		196	261
General funds		320	316
Total funds		<u>37,817</u>	<u>36,421</u>



..... Sir John Ritblat – Chairman

15 July 2010



..... Dame Rosalind Savill – Director
and Accounting Officer

15 July 2010

The notes on pages 41-57 form part of these financial statements.

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Consolidated Cash Flow Statement for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	14 a)	2,598	1,537
Returns on investment and servicing of finance	14 b)	4	37
Capital expenditure and financial investment	14 b)	<u>(1,951)</u>	<u>(1,578)</u>
Increase/(decrease) in cash in the year	14 c)	<u>651</u>	<u>(4)</u>

The notes on pages 41-57 form part of these financial statements.

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Notes to the financial statements for the year ended 31 March 2010

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and comply with the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (2005), the HM Treasury Financial Reporting Manual, the Accounts Direction given by the Secretary of State for Culture, Olympics, Media and Sport and applicable accounting standards.

The consolidated accounts are for The Wallace Collection ('The Collection') and its subsidiary Hertford House Marketing Limited; they exclude the accounts of The Hertford House Trust and The American Friends of the Wallace Collection. This is because these are entirely separate organisations over which the Wallace Collection exercises no control. The accounts for Hertford House Marketing Limited are consolidated with the accounts for the Wallace Collection on a line by line basis.

b) Incoming resources

All income is accounted for in the year in which it is receivable.

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

Sponsorship for specific projects and donations income is credited to the Statement of Financial Activities at the point where entitlement and certainty arises. Amounts received in advance are recognised as deferred income, and transferred to the Statement of Financial Activities in the year in which the respective conditions are fulfilled.

Income relating to future periods is counted as deferred and realised in the year to which it relates. Where donations relate to future exhibitions the donations are deferred.

Legacies are credited to income when the Collection becomes entitled to the income and there is certainty of receipt and the amount is quantifiable.

c) Resources Expended

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements. The make up of governance costs and the basis for apportionment is set out in Note 5.

Activities in furtherance of the Collection's objectives comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources. Management and administration costs are those incurred in connection with the management of the Collection's assets, organisational administration and compliance with constitutional and statutory requirements.

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Costs of generating funds includes fund raising and publicity costs incurred in seeking voluntary contributions for the Collection, and in publicising the Collection.

d) Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Collection.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purpose and use of the designated funds are set out in the notes to the financial statements.

Restricted funds are funds subject to specific restriction imposed by donors or by the purpose of the appeal.

e) Tangible fixed assets

Tangible fixed assets with a cost price of £1,000 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £500 and purchased in bulk are grouped and capitalised when the combined total exceeds £1,000. The property, Hertford House, was transferred to the Trustees of the Collection by the Secretary of State for the Environment on 22 December 1993. The basis for the valuation for this property is stated in note 9.

Depreciation is provided on all tangible fixed assets, except land and heritage assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land	– not depreciated
Freehold buildings	– over the expected remaining life
Office equipment	– over 4 years (except Wallace Live, 10 years)
Fixtures and fittings	– over 4 years (electrical equipment) 10 years (other fixtures and fittings) and 25 years (refurbishment projects). Capitalised heritage assets (frames) are not depreciated

Assets Under Construction are capitalised and not depreciated until they come into use. At that point they are transferred into other categories of asset and depreciated accordingly.

The fixed assets are re-valued to current costs, where material, using a range of appropriate indices. Impairment reviews are carried out where fixed assets show indications of potential impairments. Land was re-valued with reference to GDP indices published by the Office for National Statistics, and buildings by BCIS tender price indicators.

f) Stock

Stock comprises goods for resale, and is stated at the lower of cost and net realisable value.

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g) Heritage Assets

The value of objects and pictures in the Collection is considered to be incalculable, and therefore no amount is included for them in the balance sheet. Additions to the works of art acquired for the library collection or handling collections are, in accordance with the HM Treasury Financial Reporting Manual, capitalised and recognised in the Balance Sheet since 1 April 2001, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or re-valued as a matter of routine.

h) Leases

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

i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

j) Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Scheme. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits.

k) Notional costs

In accordance with Treasury guidance, notional costs of capital are charged at 3.5% (2008/09 3.5%) in the Statement of Financial Activities in arriving at "Net incoming/ (outgoing) resources." These are then reversed so that no provision is included in the Balance Sheet.

The Treasury agreed in 2000/01 that Hertford House is regarded as part of the Collection and as such will not be subject to the capital charge.

D) Financial Instruments

Financial Assets

The Museum's financial assets comprise trade and other debtors which have fixed or determinable payments that are not quoted in an active market. The Museum has no intention of trading these. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

Financial Liabilities

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

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset,

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or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

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

2. Voluntary Income

£4,301,000 (2008/09 £4,228,000) of Grant-in-Aid has been received from the Department for Culture, Media and Sport during the year, of which £1,500,000 has been used to fund capital improvements (2008/09 £1,500,000); the remainder was used to fund operating expenditure. An additional £160,000 was received from DCMS/DCSF for strategic commissioning of e-learning and regional partnerships (2008/09 £160,000). The majority of donations and similar resources are restricted funds raised for capital refurbishments (see note 13) and includes a donation of £70,500 (2008/09 £129,500) from the DCMS/Wolfson Foundation fund towards the cost of refurbishing the Collection.

3. Incoming resources from charitable activities

	2009/10	2008/09
	£000	£000
Study days and Art activities	40	35
Tours	15	12
Miscellaneous other income	24	1
	<hr/>	<hr/>
	79	48

4. Investment income

	2009/10	2008/09
	£000	£000
Interest receivable	4	37

Interest is earned on short term cash deposits.

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5. Total resources expended

a)	Staff costs £000	Other costs £000	Depreciation £000	2009/10 £000	2008/09 £000
Costs of generating funds					
Fundraising	142	25	0	167	186
Marketing and Design	93	206	0	299	286
Trading	452	360	10	822	808
Charitable activities					
Conservation	213	67	0	280	294
Collections	848	675	0	1,523	1,492
Security	1,246	96	0	1,342	1,365
Building and Maintenance	177	754	808	1,739	1,666
Governance	0	38	0	38	44
	3,171	2,221	818	6,210	6,141

b) Governance costs

Governance costs include:

	2009/10 £000	2008/09 £000
Trustee Board costs	4	12
Legal Fees	5	4
External Audit Fees	23	22
Internal Audit Fees	6	6
Total	38	44

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c) Support Costs Breakdown by Activity

Support Costs	Fundraising	Marketing & Design	Trading	Conservation	Collections	Security	Building & Maintenance	Total 2009/10	Total 2008/09
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Director's Office	22	21	21	22	97	11	21	215	203
Finance	4	9	24	8	46	43	56	190	187
Human Resources	2	1	7	3	11	31	2	57	66
Office support and supplies	6	12	12	6	19	3	3	61	61
Total	34	43	64	39	173	88	82	523	517

Support costs are re-attributed to the main spending areas based on the most appropriate method of apportionment, by proportion of usage (Director's Office and Office Support and Supplies), overall expenditure (Finance) or staff numbers (Human Resources).

d) Breakdown of Costs of Direct Activities

Activity	Activities		Total 2009/10 £000	Total 2008/09 £000
	undertaken directly £000	Support costs £000		
Fundraising expenditure	133	34	167	186
Marketing and design expenditure	256	43	299	286
Trading expenditure	758	64	822	808
Conservation expenditure	241	39	280	294
Collections expenditure	1,350	173	1,523	1,492
Security expenditure	1,254	88	1,342	1,365
Building and maintenance expenditure	1,657	82	1,739	1,666
Total	5,649	523	6,172	6,097

6. Staff costs

a) Staff

	2009/10 £000	2008/09 £000
Wages and salaries	2,530	2,413
Social security costs	188	181
Pension costs	399	391
	3,117	2,985
Casual staff costs	54	84
	3,171	3,069

The above does not include £88,040 relating to staff costs that were capitalised in year (2008-09 £55,679). These are staff costs relating specifically to capital projects.

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

	2009/10	2008/09
£60,001 – £70,000	2	2
£110,001 – £120,000	1	1
	<hr/>	<hr/>
	3	3

b) Pension Costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a non-contributory and unfunded multi-employer defined benefit scheme but The Wallace Collection is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31st March 2007. Details can be found in the resource accounts of the cabinet office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009/10, employers' contributions of £370,984 were payable to the PCSPS (2008/09: £380,353) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employers' contributions of £27,661 (2008/09: £16,571) 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 equivalent to 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,399 (2008/09: £1,248). No contributions were prepaid at that date.

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c) Average number of employees

The average number of employees, analysed by function, was:

	Permanent Staff	Temporary Staff	Managerial Staff	2009/10 Total	2008/09 Total
Director's Office	1.5	0.0	1.0	2.5	2.8
Conservation	5.0	0.0	0.0	5.0	4.6
Collections	18.6	0.0	2.0	20.6	20.3
Security	47.1	2.9	0.0	50.0	52.6
Building and Maintenance	3.0	0.0	0.0	3.0	3.0
Fundraising	2.5	0.0	0.5	3.0	3.0
Marketing & Design	1.5	0.0	0.5	2.0	2.0
Trading	11.0	0.0	0.0	11.0	9.8
Finance and HR	3.5	0.0	1.0	4.5	4.5
	93.7	2.9	5.0	101.6	102.6

The above figures relate to full time equivalent staff numbers. This excludes the capitalised element of fixed term staff members whose costs were capitalised. The capitalised element equates to 3 full time equivalent staff for the year as a whole (2008-09: 1.5 FTE).

d) Trustees

The Trustees neither received nor waived any emoluments during the year (2008/09: £nil). Expenses reimbursed to the Trustees for travel and subsistence amounted to £nil (2008/09: two trustees: £702). Any such reimbursed expenditure is funded from a specific donation. The Chairman and Board of Trustees are appointed for periods of 3 to 5 years.

7. Notional cost of capital

Notional cost of capital is calculated as 3.5% (2008/09 3.5%) of the average capital employed by the Collection in the year (excluding Hertford House), less an amount equal to assets originally donated. This amounted to £185,829 (2008/09: £150,851). The Treasury has agreed that Hertford House is part of The Wallace Collection and as such subject to a nil cost of capital charge.

8. Net incoming resources

Net incoming resources are stated after charging:

	2009/10 £000	2008/09 £000
Auditors' remuneration:		
NAO audit fee	18	17
Trading subsidiary audit fee	5	5
Internal audit fees	6	6
Operating lease rentals for hire of plant and machinery	19	19

All external auditors' remuneration was for audit work.

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9. Tangible fixed assets

Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equipment £000	Assets Under Construction £000	Total £000
Cost/valuation					
Balance at 1 April 2009	34,090	2,154	699	1,456	38,399
Additions	50	30	15	1,856	1,951
Transfers	1,830	1,134	0	(2,964)	0
Disposals	0	0	0	0	0
Revaluation	(306)	25	0	0	(281)
Balance at 31 March 2010	35,664	3,343	714	348	40,069
Depreciation					
Balance at 1 April 2009	1,564	1,107	337	0	3,008
Charge for the year	560	184	74	0	818
Disposals	0	0	0	0	0
Revaluation	42	4	0	0	46
Balance at 31 March 2010	2,166	1,295	411	0	3,872
Net book value					
Balance at 31 March 2010	33,498	2,048	303	348	36,197
Balance at 31 March 2009	32,526	1,047	362	1,456	35,391

Fixtures and fittings includes frames that are heritage assets with a net book value of £69,122 (2008-09: £69,122), there were no additions to these in the year (2008-09: £4,789).

The net book value at 31 March 2010 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equipment £000	Assets Under Construction £000	Total £000
Charitable purposes	33,498	2,040	289	348	36,175
Trading Activities	0	8	14	0	22
	33,498	2,048	303	348	36,197

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The Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equipment £000	Assets Under Construction £000	Total £000
Cost/valuation					
Balance at 1 April 2009	34,090	2,096	614	1,456	38,256
Additions	50	30	13	1,856	1,949
Transfers	1,830	1,134	0	(2,964)	0
Disposals	0	0	0	0	0
Revaluation	(306)	25	0	0	(281)
Balance at 31 March 2010	35,664	3,285	627	348	39,924
Depreciation					
Balance at 1 April 2009	1,564	1,060	271	0	2,895
Charge for the year	560	181	67	0	808
Disposals	0	0	0	0	0
Revaluation	42	4	0	0	46
Balance at 31 March 2010	2,166	1,245	338	0	3,749
Net book value					
Balance at 31 March 2010	33,498	2,040	289	348	36,175
Balance at 31 March 2009	32,526	1,036	343	1,456	35,361

Freehold buildings

The Wallace Collection is housed in Hertford House, Manchester Square, London, W1U 3BN. The freehold title to this property was transferred to the Trustees of the Wallace Collection from the Secretary of State for the Environment on 22 December 1993 at its then net book value. The property was revalued at £35,000,000 on a depreciated replacement cost basis at 31 March 2006 by an independent surveyor in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, First Edition. In between full five yearly revaluations the land, building and fixtures and fittings are revalued on an annual basis using appropriate indices.

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10. Debtors

	Group 2010 £000	Group 2009 £000	Collection 2010 £000	Collection 2009 £000
Trade debtors	112	98	22	3
Other debtors	17	16	17	16
VAT debtors	84	115	0	133
Amount due from subsidiary	0	0	346	647
Prepayments and accrued income	142	212	115	206
	355	441	620	1,005

None of the above is expected to be received after more than one year.

The debtors include £84,028 owed by HM Revenue and Customs, and no other amounts owed by central government departments. All other amounts are with bodies external to government.

11. Creditors: amounts falling due within one year

	Group 2010 £000	Group 2009 £000	Collection 2010 £000	Collection 2009 £000
Trade creditors	184	167	171	160
Taxation and Social Security	80	118	80	118
Accruals	177	330	167	325
Deferred Income	290	158	183	51
	731	773	601	654

The creditors include £80,193 owed to HM Revenue and Customs, and no other amounts owed to central government departments. All other amounts are with bodies external to government.

Deferred income includes £88,682 of membership deferred in the year, £50,625 was released from 2009.

12. Analysis of net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total Mar-10 £000
Fund balances at 31 March 2010 are represented by:			
Tangible fixed assets	4,724	31,473	36,197
Current assets	1,240	1,143	2,383
Current liabilities	(731)	0	(731)
Total net assets	5,233	32,616	37,849

There are no unrealised gains included above.

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13. Consolidated Statement of funds

	Balance at 1 April 2009 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2010 £000
Unrestricted funds						
Designated funds:						
Capital projects fund (a)	4,440	1,214	0	0	(847)	4,528
Revaluation reserve	261	0	0	(65)	0	196
Designated capital fund (b)	133	178	(133)	0	0	178
General funds	312	4,649	(4,622)	0	(9)	330
Total unrestricted funds	5,146	6,041	(5,034)	(65)	(856)	5,232
Restricted income funds						
Capital reserve (c)	29,998	41	(539)	0	1,543	31,043
Revaluation reserve	692	0	0	(262)	0	430
Conservation projects (d)	0	35	(30)	0	0	5
Learning fund (e)	19	256	(267)	0	0	8
Publication fund (f)	111	118	(114)	0	0	115
Archive project (g)	104	(3)	(4)	0	0	97
Curatorial projects (h)	0	10	0	0	0	10
Exhibitions fund (i)	0	176	(215)	0	39	0
Gallery refurbishment (j)	373	1,226	(2)	0	(696)	901
Chairman's fund (k)	4	39	(5)	0	(30)	8
Total restricted funds	31,301	1,898	(1,176)	(262)	856	32,617
Total funds	36,447	7,939	(6,210)	(327)	0	37,849

a) The Capital projects fund comprises the Collection's fixed assets purchased using unrestricted funds.

b) The Designated capital fund reflects amounts designated from general income for future capital projects. It will be cleared in the coming year by expenditure on the final stages of phase III of the gallery refurbishments and the front entrance project.

c) The Capital reserve fund represents the net book value of the property and other fixed assets received from restricted funds.

d) The Conservation projects fund was set up in 1998 with funding received from a number of sponsors specifically for conservation projects.

e) The Learning fund assists with the cost of the Collection's learning department. This was boosted in 2009-10 by a £160,000 donation from DCMS/DCSF for strategic commissioning of e-learning and regional partnerships.

f) The Publication fund reflects donations towards the Collection's scholarship activities.

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- g) The Archive fund was set up by a donation in 2005/06 in order to facilitate the cataloguing and research of the Collection archives.
- h) The Curatorial fund was set up in 2005/06 with a donation to allow the purchase of a historic picture frame. It continues with donations towards curatorial purchases and activities.
- i) The Exhibition fund was set up in 2005/06 in order to facilitate the Collection's temporary exhibition programme. The transfer represents the unrestricted funds used to help facilitate the exhibitions during the year.
- j) The Gallery refurbishment fund represents those restricted funds specifically raised to fund the next set of gallery refurbishments.
- k) The Chairman's fund receives donations from the Chairman to enable the Wallace Collection to make various payments for the benefit of the Wallace Collection including the reimbursement of certain Trustee expenses incurred on Collection business.

14. Cash flow information

a) Reconciliation of net incoming resources to net cash inflow from operating activities

	Notes	2009/10 £000	2008/09 £000
Net (outgoing)/incoming resources for the year		1,729	955
Depreciation	9	818	724
Investment income received	4	(4)	(37)
Loss/(profit) on disposal of fixed assets		0	0
(Increase)/decrease in stock		11	19
(Increase)/decrease in debtors	10	86	20
Increase/(decrease) in creditors	11	(42)	(144)
Net cash inflow from operating activities		2,598	1,537

b) Analysis of cash flows

		2009/10 £000	2008/09 £000
Returns on investments and servicing of finance			
Interest received	4	4	37
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	9	1,951	1,578

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

	2009/10 £000	2008/09 £000
(Decrease)/Increase in cash in the year	651	(4)
Movement in net funds in the year	651	(4)
Net funds at 1 April (note 14(d))	1,157	1,161
Net funds at 31 March (note 14(d))	1,808	1,157

d) Analysis of net funds

	1-Apr 2009 £000	Cash Flow £000	31-Mar 2010 £000
Cash at bank and in hand	1,157	651	1,808

15. Hertford House Marketing Limited

The Collection owns the whole of the issued share capital of 2 issued shares of £1 nominal value, of Hertford House Marketing Limited, a company registered in England & Wales. The company's principal activities are Corporate Event hire, Retail, the Picture Library and the running of the Wallace Restaurant franchise. Hertford House Marketing Limited commenced formal trading on 1 April 2000. The Chairman of Trustees and the Collection's Director are the only directors of the company.

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Income and Expenditure Account:

	2009/10	2008/09
	£000	£000
Turnover	1,263	1,450
Cost of Sales	(222)	(258)
Gross profit	1,041	1,192
Administrative Expenses	(647)	(607)
Operating Profit	394	585
Interest Receivable	1	20
Contribution to The Wallace Collection	(390)	(594)
Net Profit before Tax	5	11
Tax	0	0
Net Profit/ (Loss) after Tax	5	11

	2010	2009
	£000	£000
Reconciliation to SoFA:		
Cost of Sales	222	258
Administrative Expenses	647	607
less: Audit fee included in Governance	(5)	(5)
less: Intercompany sales	(42)	(52)
Per Consolidated SoFA	822	808

Balance sheet:

	2010	2009
	£000	£000
Tangible Fixed Assets	22	30
Current Assets	521	781
Current Liabilities	(513)	(786)
Net Assets	30	25

	2010	2009
	£000	£000
Share Capital	0	0
Reserves	30	25
Net Assets	30	25

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16. Financial commitments

At 31 March 2010 the Collection had annual commitments under non-cancellable operating leases for equipment as follows:

Operating leases expiring within:

	2010	2009
	£000	£000
In under one year	2	0
In the second to fifth years inclusive	17	19
Over five years	0	0
	<hr/>	<hr/>
	19	19

Hertford House Marketing Ltd has no such financial commitments.

17. Financial Instruments:

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

The majority of financial instruments relate to contracts to buy non-financial items in line with the Museum’s expected purchase and usage requirements and the Museum is therefore exposed to little credit, liquidity or market risk.

Liquidity Risk

Approximately 54% of the Museum’s income is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which seeks to build these funds to £500,000. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

Foreign Currency Risk

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

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Interest Rate Risk

The Museum draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; All of the Museum's financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the Museum's financial assets carry fixed rates of interest. As only a small proportion of income £3,581 (2008-09 – £36,268) is generated from interest earned, the Museum is not exposed to significant interest rate risk.

18. Capital commitments

At 31 March 2010 capital expenditure commitments were as follows:

	2010	2009
	£000	£000
Authorised by the Trustees and contracted for	366	680

19. Related party transactions

The Wallace Collection is a non-departmental public body of the Department for Culture, Media and Sport. The DCMS is regarded as a related party. During the year, the Wallace Collection has had a number of material transactions with the Department. During the year, no Trustee, key manager or related parties has undertaken any material transactions with the Wallace Collection. The Chairman generously supports the Collection through the 'Chairman's Fund', the details of which are shown in note 13. The DCSF as a government body is also considered to be a related party.

20. Post Balance Sheet Events

On 24th May 2010 the Wallace Collection was advised by the Department of Culture, Media and Sport that its Grant in Aid in 2010-11 had been reduced by 3% equating to approximately £160,000. The Collection has made the adjustments to its in year budgets necessary to deliver the required expenditure reduction.

The accounts were authorised for issue on 23 July 2010 by the Accounting Officer.

21. Contingent Liabilities

There were no contingent liabilities as at 31 March 2010.



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