

The Wallace Collection  
Annual Report and Accounts 2012-2013

# The Wallace Collection Annual Report and Accounts 2012-2013

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

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## The Wallace Collection Annual Report and Accounts 2012-13

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## ***Annual Report***

### ***Background information***

The Wallace Collection was 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, and 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. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are among the best in the world. Since the 1870s the collections have been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. The Wallace Collection was opened to the public on 22 June 1900, and has been undergoing major refurbishment since the 1990s. 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 sponsored by the Department for Culture, Media and Sport. It is a charity exempt from registration under the Charities Act 2011. 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, of European princely arms and armour as well as of French and British collecting between 1700 and 1900
- Maintain Hertford House and its services

In light of these aims the current Corporate Plan 2011-14 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 and associated publications 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) Housekeeping and Efficiency**

To improve working practices, efficiency and effectiveness throughout the Wallace Collection. This will encompass archiving, IT practices, filing, streamlining record keeping and improving energy efficiency. *Championed by the Finance and Operations Director.*

### **3) Excellence and Public Face**

To improve visitor understanding and appreciation of the Collection, and their experience as a whole, by presenting the Collection across all media in the best possible way. In particular managing the communications around the closure of the Great Gallery for refurbishment. *Championed by the Development and Marketing Director.*

### **4) Capital Projects**

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; from the completion of the Dutch Galleries through to the Great Gallery. *Championed by the Director.*

### **5) 2012 Olympics and The Noble Art of the Sword Exhibition**

To celebrate the 2012 Olympics by presenting an exhibition on *The Noble Art of the Sword* and related activities; maximising visitors and revenues during this period. *Championed by the Development and Marketing Director.*

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### The Collections

The works of art in the Collection, broken down by the new collection categories comprise:

CATEGORY	ITEMS
Pictures (paintings, watercolours, drawings and etchings)	777
Miniatures	317
Furniture	525
Sculpture	481
European Arms and Armour	1342
Oriental Arms and Armour	1056
Asian and African Art	97
Porcelain	287
Earthenware	203
Glass	59
Limoges enamels	29
Gold boxes	89
Works of Art*	341
Manuscript cuttings	32

*\*(including Medieval and Renaissance works of art)*

These objects (5,635 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, and Conservation Gallery on the lower ground floor.

The Old Master paintings are from the British, Dutch, Flemish, 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 works by Watteau, Boucher and Fragonard's *Swing*),

## **The Wallace Collection Annual Report and Accounts 2012-13**

furniture, porcelain and goldsmiths' work, including many pieces from the royal chateaux of Versailles and Fontainebleau, represents one of the greatest collections of *ancien régime* art in the world. The European and Oriental arms and armour, and medieval and renaissance works of art, are displayed in six ground-floor galleries, nineteenth-century paintings in two galleries and sculptures are dispersed throughout the house. Since most 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. The Library and archives, held in addition to the collection, are continually updated and are an excellent source of material to enable study of eighteenth-century French art, of European princely arms and armour, and French and British collecting between 1700 and 1900. There is also a handling collection of objects used for teaching and demonstration.

### **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 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.

### ***Review of the Year***

The most significant event in the life of the Wallace Collection in 2012-13 has been the commencement of the Great Gallery refurbishment, due to re-open in the summer of 2014. This is the largest project undertaken at the Wallace since the Centenary project, and promises to enhance the display of the most important Old Master paintings in the Museum, including the iconic *Laughing Cavalier*. The various other activities of Wallace Collection life throughout the year are outlined below.

### **Gallery Refurbishment 2012-13**

#### **2011-14 Corporate Plan Objective: Capital Projects**

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; from the completion of the Dutch Galleries through to the Great Gallery. *Championed by the Director.*

In the first part of the year, the refurbishment of the East Drawing room was completed on programme and within budget. The refurbishment was externally funded by the generous support of several donors.



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Following this, the commencement of the Great Gallery refurbishment project has required significant effort and planning. A full condition survey of all paintings at the Wallace Collection, which is undertaken every five years, was completed ahead of the significant moves of works of art for the project. Key works of art from the Great Gallery have been redisplayed: with Dutch pictures, including the *Laughing Cavalier*, to the Large Drawing Room; British pictures to the West Room; Italian and Spanish paintings to the Dining Room; French and Spanish pictures to the Smoking Room. Some displaced works of art have been placed into storage for the duration of the project.

The building works for the Great Gallery refurbishment began in January 2013 and the external scaffolding, contractor facilities and hoist have all been installed. Inside the Great Gallery, the floor protection is in place, the internal strip out is complete; the internal scaffold installed and structural beams have been fitted. The demolition of the roof is well under way and the project continues on budget and schedule – with the refurbishment due for completion in April 2014.

### **The Collections Directorate**

#### **2011-14 Corporate Plan Objective: Scholarship**

To enhance the Wallace Collection's reputation for scholarly research, by investing in research to create a number of academic catalogues and associated publications 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.*

*The Wallace Collection: The Complete Digital Catalogue of European Arms and Armour* published in February 2012 continues to attract critical acclaim and has proved popular with scholars and the public alike. The *Digital Summary Catalogue of Arms and Armour* with its associated *Masterpieces* book was named Museum Publication of 2012 by *Apollo* Magazine. We have also continued to obtain outstanding reviews for it as well as for the *Catalogue of Glass and Limoges Painted Enamels*, the latter most recently with a full review in the *Burlington Magazine* for January 2013.

The *Catalogue of Gold Boxes in the Wallace Collection* has been completed and is due for publication in the summer of 2013.

Work on the catalogue of Italian Sculptures is continuing, the photography has been completed, except for one or two large objects, and the text is due for completion in January 2014.

Work on the catalogue of Oriental Arms and Armour is progressing. This includes creating electronic object files for each object, completing work on materials identification and inscription transcription and translation, conservation assessment, photography and provenance research. This project has a considerable scope and completion is likely to be 2016.

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Wallace Collection curators have also published extensively in various academic journals during the year.

With the significant moves caused by the refurbishment of the Great Gallery a new edition of the Guidebook has been prepared, taking into account the closure of the Great Gallery and the associated moves of works of art.

For educational activities see the Education 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 on 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.

Curators continued to teach on the joint Wallace Collection MA course with Buckingham University on Historic Interiors and the Decorative Arts which will come to an end in the summer of 2013. Discussions continue with universities in the UK and in France on possible future academic collaborations. The Department also offers advice to Arts Council England and organises 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 history of collecting in London and Paris during the eighteenth- and nineteenth-centuries.

Two study days were held in association with the *Noble Art of the Sword*. On 16 June 2012, a study day examined the use of swords in Renaissance daily life and the evolution of the rapier. A second study day, *Beauty and Pointed Purpose: the Sword in Shakespeare's London*, was held, in association with the British Museum, on 14 September 2012, and examined more specifically the cult of duelling in Elizabethan and Jacobean London.

*The Knight in Art: from the present day to the Middle Ages and back again* ran from 15 January and 26 March and was a highly successful course examining in depth over ten weekly lectures the visual, literary and material culture of the medieval and Renaissance knight in Europe. We have taken this new extended course formula further with *The Art of Living in France in the 18<sup>th</sup> Century*, between April-June 2013.

Numerous public talks for scholars and the wider public are held throughout the year.

### **The Conservation Department**

Furniture and Metalwork conservation takes place in-house, and other materials are treated by external conservators. A temporary position of paintings conservator is currently in place working on the Reynolds project. The department plays a crucial role in research on metal, furniture and paintings.

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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 major work conserved in the year was the veneered-wood commode by Jean-Henri Riesener (F247) made for Queen Marie Antoinette. The work has been featured in the Conservation Display Gallery featuring the fascinating and revealing treatment carried out. One of the most exciting elements in the display is the digital reconstruction of the original colour scheme. A Boulle-style chest-of-drawers attributed to Doirat (F406) is now being worked upon in the Furniture Conservation Studio.

The department has been heavily involved throughout the year in the object moves for the room refurbishments in particular the Great Gallery project and the Collection's exhibitions. The two pairs of large tables from the Great Gallery (F510-511; F514-515) will be conserved over the next two years by students at City and Guilds of London Art School, West Dean College and Buckingham New University with supervision from the Collection's curator and conservator.

The work of object number-marking, renewing ISIS security-alarm tags on paintings and small works of art, and monitoring and assessing the Collection's environmental parameters, as well as pursuing all the normal duties of collection care, has continued through the year. The Department has also organised the installation of additional light-filter film to gallery windows to improve UV protection.

### *The Reynolds Research Project*

The Advisory Group continued to meet and discuss the progress of the treatment of the Wallace Collection's Reynolds paintings.

The group expressed their satisfaction with the treatment of *Mrs. Hoare and Child* and agreed that the appearance of the painting had been greatly improved. *Miss Jane Bowles* returned to the Wallace Collection at the end of November and is now on display in the Boudoir. The cleaning of the portrait of the 4<sup>th</sup> Duke of Queensberry has continued and the thick layer of discoloured synthetic varnish that had been applied in 1946 has almost completely been removed.

Interest in the project has been international, with a study day at the Yale Center for British Art (YCBA) generating significant interest in the project and the exhibition, which will be held at the Wallace Collection as the culmination of the Reynolds Research Project in 2015. Furthermore the Museum of Fine Art Boston will be carrying out technical investigation of the painted sketch of *Mrs. Hoare and Child* in their collection for comparison with the Wallace Collection painting and Waddesdon Manor is also considering undertaking technical analysis and treatment of some of its paintings by Reynolds, one of which was formerly owned by the 4<sup>th</sup> Marquess of Hertford, for a display which would coincide with the Wallace Collection's exhibition.

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The findings of the technical analysis are being written up for the *National Gallery Technical Bulletin*. This issue of the Technical Bulletin, planned for Autumn 2014, will be devoted to Reynolds and will examine the twelve paintings from the Wallace Collection alongside the five paintings by Reynolds in the National Gallery. The publication will make an excellent adjunct to the catalogue and exhibition at the Wallace Collection.

### **The Education Department**

#### *Schools' Programmes*

In addition to the usual schools visits and schools projects, we have continued to work with the children of St Vincent's Primary School, on the young curators programme. This year the young curators successfully took over the entire Wallace Collection as part of the Children's Commissioner's *National Takeover Day*. The children were in control of the day and took over the jobs of the normal employees, including the Wallace Collection's front of house and retail team and our pool of guide lecturers. They filmed the entire day, interviewed visitors and took over the press and marketing department, composing press literature and responding to journalists.

Popular school sessions included '*All Things Light and Beautiful: Colour and Painting Workshop*' and '*Technologies and Techniques in Sculpture*' for primary schools, and '*Portraits in Spaces: A Two-day Architectural and Portrait Photography Project*' for Secondary Schools. For older students our '*What is it like to Work in a Museum*' careers open day was a great success and 75 students from various Camden Schools came to the Wallace Collection to hear David Starkey amongst others discuss '*What is History?*'.

The Arts Council has recently partnered the Wallace Collection with Barnsley Museum and Galleries, as part of a new 3 year Museums and Schools programme funded by the Department for Education. The aim of the project is to get schools identified as being in areas of low cultural engagement visiting their local museums. The Wallace Collection is working with our colleagues in Barnsley to help shape their schools offer, as well as developing programmes that link our two collections together.

#### *Children and Families*

The department continues to run many Children and Family activities with our public programme packed full of events related to the *Noble Art of the Sword* as well as sold out art summer schools for adults and children. Highlights included three Swordplay Saturdays, the final of which, *A Day in the 16<sup>th</sup> Century!*, attracted over 2,400 visitors to the museum.

In March, the Wallace Collection hosted the event *Family Fortunes workshop: 'How museums, galleries and visitor attractions can better welcome families and why they should'* with Kids in Museums. There were 50 delegates from all over Britain, and speakers from a range of institutions including Visit England and the Audience Agency.

#### *Community and Access Programme*

Community activities have continued to be a strong part of our programme, including our *Sensation!* event for blind and partially sighted visitors focused around our Renaissance

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paintings. In addition, with the support of the Community Learning Innovation Fund and the National Institute of Adult Continuing Education, we have developed a series of Loan Boxes based on themes associated with the Wallace Collection, that can be lent to residential care homes and day centres to provide a stimulus for discussion and appreciation. This is an extension of our highly successful *Out of the Frame* programme.

The culmination of the HLF funded exhibition *Journeys East: A Discovery of Hidden Treasures* was a celebratory ‘*A Day in the 17<sup>th</sup> Century*’ event curated by our team of Community Ambassadors, which attracted 1,500 visitors to the museum. It included talks and lectures, art activities, traditional Indian tabla music and henna painting. The museum made a conscious effort to reach out to Asian communities and was praised by the HLF for the wonderful and inspiring work done throughout the project.

### *Students and Public Programmes*

The regular tours of the Collection and our exhibitions continue, as well as study days, a guest lecturer series, and handling sessions – as well as at least one free lecture a day (given by each curator once a month or by our guide lecturers). In addition, new this year was the *Rococo to Revolution* film season, a series of popular films exploring political intrigue, lust, revenge and aristocratic excess in eighteenth century France and included Sofia Coppola’s *Marie-Antoinette*, Patrice Leconte’s *Ridicule* and Andrzej Wajda’s *Danton*.

### **Exhibitions**

The year began with our exhibition of works of art made by members of the Wallace Collection’s staff, *Hidden Talents: The Creative Skills of the Wallace Collection’s Staff*, ran from 8 March 2012 to 15 April 2012. Twenty-six members of staff contributed a wide range of objects from paintings and drawings to jewellery and conceptual art. The exhibition was much appreciated by those who took part and was well received by the public.

The major exhibition of the year, *The Noble Art of the Sword: Fashion and Fencing in Renaissance Europe* (17 May 2012 to 16 September 2012), proved an extraordinary critical success, with particularly appreciative reviews in *The Burlington Magazine* and *The Museums Journal*. Intended to complement the Olympics and featuring major loans from Vienna, Dresden, Glasgow, the Royal Armouries and the Victoria & Albert Museum, it also had the benefit of highlighting the outstanding array of swords owned by the Wallace Collection and the highly important collection of fencing manuals owned by the Howard de Walden family trust, on long-term loan to the Wallace Collection since 2001.

The associated catalogue has been highly praised and the wide range of associated activities accompanying the exhibition were also much appreciated, particularly ‘Sword-play Saturdays’ and the ‘*Day in the 16<sup>th</sup> Century*’ (15 September 2012). The accompanying display in the Conservation Gallery, *Making the Renaissance Sword*, was extended to March 2013.

The exhibition *Journeys East: A Discovery of Hidden Treasures* (17 November 2012 to 13 January 2013) received positive feedback from the Press and project participants appeared on BBC Asian Radio to promote the exhibition. The exhibition supported by the Heritage

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Lottery Fund, showcased works of art made by sixty people aged between 7 and 70+ from four London districts, who have created works in response to our newly opened Dutch galleries.

*Murillo in the Wallace Collection. Painting of the Spanish Golden Age* (6 February 2013 to 12 May 2013), focused on our exceptional group of paintings by this great seventeenth-century Spanish master. The exhibition complemented another Murillo exhibition at the Dulwich Picture Gallery and proved to be a popular show with several highly complementary reviews, and, particularly for a largely in-house exhibition, generated a great deal of publicity.

Work is well underway for the forthcoming exhibition *The Discovery of Paris. Watercolours by Early Nineteenth-Century British Artists* due to open on 20 June 2013.

### *Other Special Displays*

From 7 February 2013 to 28 April 2013 there was a special display in the Porphyry Court of silver owned by the Past Overseers' Society of Westminster *The Westminster Treasure. History in Silver 1713-2013*, the display comprised fascinating boxes with silver plaques which over the past three hundred years have been engraved and etched with inscriptions and designs marking important events, both local and national, including the 2012 Olympics and Diamond Jubilee.

From 16 May 2013, there is a display in the Porphyry Court of objects from the Barber Institute, Birmingham, to mark its eightieth birthday.

## **The Collection Services Department**

In addition to its work on Museum Plus, Wallace Live, in the Library, the cataloguing of the Archives, the photography of the Oriental arms and armour collection, and picture library print sales, the department, has worked on a number of new media projects during the year. All of the Collection's oil paintings were uploaded to the BBC's *Your Paintings* website. Work has also continued on the *Stickyworld* Great Gallery project in conjunction with the Education department – enabling the Great Gallery to have an online presence whilst it is closed for refurbishment. Discussions have also begun on developing an image recognition app so that visitors can use their Smart Phones in the galleries to find out more about our works of art.

The department also started work on the Wallace Collection's records management programme and successfully managed the Wallace Collection's Accreditation application to the Arts Council.

### *Library and Archives*

During the extended quiet period over the summer cataloguing was focussed on new acquisitions and the Claude Blair collection of books on arms and armour, which is now complete. In the autumn term the Library saw several 'record' days, reaching full capacity with the majority of readers Christie's MA Students or Courtauld Institute students.

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The arrival of a dedicated archivist has enabled work to begin on the cataloguing of the Herbert Bier archive. The significance of the Herbert Bier archive lies in its value as a resource documenting the history of the art market in Britain during the post-War period and in particular the figure of the sole trader dealer.

The Friends of the National Libraries, which has been a generous supporter of the Wallace Collection, has presented the Collection with six rare books from a collection of books on fencing manuals, formed by the late Leonard Chase. These are all works not present in the Howard de Walden library, on long-term loan to the Wallace Collection.

### **The Development and Marketing Directorate**

#### **2011-14 Corporate Plan Objective: Excellence and Public Face**

To improve visitor understanding and appreciation of the Collection, and their experience as a whole, by presenting the Collection across all media in the best possible way. In particular managing the communications around the closure of the Great Gallery for refurbishment. *Championed by the Development and Marketing Director.*

The closure of the Great Gallery has been well received by the local community thanks to careful efforts to minimise its impact and explain the benefits of the project. Visitor numbers remain robust despite its closure, helped by the successful marketing campaign encouraging visitors to revisit the Great Gallery masterpieces in their new temporary homes. Visitor flow and in particular group visits have been impacted, but managed, in part due to new floor plans and improved signage.

For the technological opportunities and the ways in which we are broadening our connections and communications with the public, see below.

#### **2011-14 Corporate Plan Objective: 2012 Olympics and The Noble Art of the Sword Exhibition**

To celebrate the 2012 Olympics by presenting an exhibition on *The Noble Art of the Sword* and related activities; maximising visitors and revenues during this period. *Championed by the Development and Marketing Director.*

The directorate's other objective focused around the *Noble Art of the Sword* exhibition and the London Olympics. Whilst visitors were down during this period as anticipated, the exhibition and related programme of activities drew in over 23,000 visitors. The exhibition achieved significant positive press coverage in *The Times* and *The Telegraph* amongst others – and was one of our most successful of all time in terms of critical recognition.

#### **Visitors**

2012-13 has again been an excellent year in terms of visitor figures – at 377,756. Whilst down on our record numbers last year (399,312), due in part to the disruption of the Olympics and the Great Gallery closure, this is still a 6% increase on the figures from two years ago. Awareness of campaigns has increased and a good spread of press coverage keeps the Wallace Collection at the forefront of visitors' minds as a potential destination.

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### **Marketing, Press and Public Relations**

We have been successful in attracting a diverse range of press on both the general collection and specific exhibitions and projects, in both the domestic and international press. This coverage keeps interest in the Collection fresh, and encourages repeat visits.

Following the successful campaign encouraging visitors to revisit the Great Gallery masterpieces in their new temporary homes, the 2013 campaign is *Take your own Grand Tour* – guiding the potential visitor through the wide-ranging international art available at the Wallace Collection and urging them to holiday in the heart of London. The Italian Canaletto strand of this campaign featured in *The Metro* and resulted in a peak in visitor numbers and jumps in web traffic.

Advertisements have also been placed across a range of different publications to attract a spectrum of culturally engaged audiences – political (*The Spectator*, *The New Statesman*, *Prospect*); Arts (*Apollo*, theatre and opera programmes); consumer (*The National Trust*) and family (*Time for Kids*, local press).

Our engagement with the public on *Twitter* and *Facebook* is particularly pronounced. Both are excellent tools for quick updates and to converse with our followers and linked to these new media channels we work to create behind-the-scenes films, providing interesting content for our website visitors and furnishing them with wonderful tools for word of mouth recommendations.

Visits to the website on mobile devices are up 80% on last year's figures, thanks to the new mobile site and web visits generally are up, along with page views and visit durations. The new *Behind the Scenes* blog on the website has also been a big success, with over 7,000 views in its first two weeks.

### **Income Generation**

#### *Fundraising*

Despite the challenging economic climate, fundraising was again excellent in 2012-13. The Collection is 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 and now rebranded membership scheme *Benefactors* and we are grateful to our Corporate supporters. The Corporate Membership scheme will be re-launched following the opening of the Great Gallery. The International Council is doing excellent work in recruiting new *Benefactors*. Capital fundraising has also achieved some major pledges and donations from the Hertford House Trust, the HLF and generous donations from a number of anonymous supporters. This has allowed us to press ahead with the next phase of Gallery refurbishments.

#### *Corporate Events Hire*

The Wallace Collection continues to be considered a prestigious venue to hire, and the Events team have had an excellent year, exceeding their targets with 107 events held during the year (2011-12: 101) of which 7 were private and 100 corporate events. The department continues to work hard to market the Wallace Collection as a magnificent



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and special place to hold corporate and private events. Maintaining revenues through the closure of the Great Gallery is proving a significant challenge, but being managed by highlighting the opportunities afforded by the re-hang of the masterworks of the Collection to other galleries and spaces.

### *Retail and Visitor Services*

Retail turnover, whilst down in line with the lower visitor numbers, nevertheless exceeded budgeted targets. Spend per customer in the shop remains robust, and online and mail order sales have grown significantly, following investment in these areas.

### *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 continue to be positive – in particular the quality of the food. Peyton and Byrne pays the Wallace Collection a percentage of turnover, with a guaranteed minimum. The income from this source remains competitive, though reduced from last year in line with the lower visitor numbers:

2012-13	£155,124
2011-12	£164,157
2010-11	£156,653

## **The Finance and Operations Directorate**

### **2011-14 Corporate Plan Objective: Housekeeping and Efficiency**

To improve working practices, efficiency and effectiveness throughout the Wallace Collection. This will encompass archiving, IT practices, filing, streamlining record keeping and improving energy efficiency. *Championed by the Finance and Operations Director.*

The Collections Services department, as noted above, is already making great strides in improving archiving and storage, and the IT department are now looking to similar methodologies to improve electronic filing practices. The Facilities department is looking closely at energy efficiency, both in conjunction with the ongoing capital projects and wider working practices.

### **Finance**

The small team not only manages all of the financial activities and controls in the Collection, including the management accounting and budgeting, 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**

The 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

## **The Wallace Collection Annual Report and Accounts 2012-13**

including upgrading the building's environmental monitoring system and introducing sub-metering – both of these projects have already resulted in energy expenditure efficiencies which should continue year on year.

Public bodies are obliged to include a sustainability report within the Annual Report unless they fall under the threshold for reporting. Whilst the Wallace Collection is under this reporting threshold and has not included a sustainability report, it is nevertheless committed to reducing energy consumption where possible.

Facilities also have responsibility for the ICT infrastructure within the Wallace Collection which is currently undergoing a review in order to identify how best to utilise limited resources to support the other Collection departments in their IT needs.

Utility cost increases have placed pressure on limited budgets, but these have been mitigated where possible by using collaborative procurement arrangements.

### **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 upon the security of the Collection are monitored, with policies and procedures updated accordingly to minimise the risk of loss or damage to the collections.

In particular the twin pressures on London of the Olympics and Queen's Diamond Jubilee involved careful planning to ensure continued staffing of the Collection.

Improvements continue to be made to technological and physical security, primarily to take advantage of the opportunities afforded by the gallery refurbishment 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 a minimum during the year.

### **Human Resources**

As with every year, the Personnel Manager has had to keep on top of 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 95 staff. The implementation and roll out of electronic personnel management software has greatly improved efficiency and record keeping.

## **Financial Review**

### **Financial results**

Net incoming resources in the year amounted to £195,000 (2011-12 – £512,000). This operating surplus is primarily a result of a successful year of self-generated income, including significant donations for capital projects. The value of such donations can vary significantly from year to year. While donations and grants in support of capital expenditure are recognised in the SOFA on a receivable basis, the associated capital expenditure is depreciated over the expected useful life of the asset, with assets under construction not depreciated at all.

During the year the Collection capitalised costs totalling £907,000 (2011-12 – £2,283,000) as assets under construction. The majority related to the on-going Phase V Gallery refurbishments, with the remainder relating to the East Drawing Room refurbishment, which was completed in the year and subsequently transferred to other asset headings to attract depreciation.

The mismatch between the treatment of funding and capital expenditure gives the misleading appearance of an increase in funds during the year, and of a consequent reserve carried forward to the future, when in reality the funding has already been used to acquire an inalienable asset. The aggregation of capital and revenue funding therefore disguises the funding of running costs, and limits any assessment of financial performance.

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 £2,946,000 (2011-12: £2,983,000). This includes £272k awarded towards capital improvements to Hertford House, (2011-12: £259k) and represents 45% of the Collection's total income for the year (2011-12: 45%);
- (b)** Fund raising expenditure amounted to £119,000 (2011-12: £148,000). The decrease is due to lower staffing in the department for part of the year;
- (c)** Marketing and design expenditure amounted to £260,000 (2011-12: £278,000). Whilst there remains a continued focus on the ongoing advertising strategy which has been instrumental in increasing awareness and visitors to the Collection, the reductions in Grant-in-Aid have necessitated lower spend;
- (d)** Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £880,000 (2011-12: £871,000). Overall income from trading activities has remained robust, though fell slightly in line with the lower visitor numbers;
- (e)** Conservation expenditure amounted to £290,000 (2011-12: £323,000), with the reductions in Grant-in-Aid necessitating the lower spend;

## **The Wallace Collection Annual Report and Accounts 2012-13**

- (f) Collection expenditure amounted to £1,258,000 (2011-12: £1,096,000). The increase reflects the Collection's focus on its scholarly activities, the continuing work on exhibitions, publications and the education activities run throughout the year;
- (g) Security expenditure in 2012-13 was £1,248,000 (2011-12: £1,297,000). Savings, needed due to the reduced Grant-in-Aid, were found by reducing the need for external cover, through a policy of rolling gallery closures when absences occurred;
- (h) Building and maintenance expenditure (other than the charge for depreciation and the grant noted below) amounted to £1,192,000 (2011-12: £1,252,000) and was in line with expectations, higher utility costs and some non-capitalised project costs were offset by improved procurement arrangements and targeted savings;
- (i) A grant of £170,000 (2011-12: £Nil) was made to the Hertford House Trust, restricted for furtherance of the Wallace Collection's charitable objectives, in particular the maintenance of Hertford House.

### **Reserves policy**

During the year, and with reference to guidance from the Charity Commission, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of at least £350,000 and to aim for between one and three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at 31 March 2013 represents cover of approximately one and a half months.

The Audit Committee monitors the levels of reserves at the Museum on a quarterly basis as part of their review of the Management Accounts. The Board of Trustees reviews the reserves policy when circumstances change and at least annually.

### **Fixed assets**

Movements on fixed assets are set out in note 8 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 2013 to £36,889,000. This contributed to an overall fixed assets revaluation increase of £583,000 in 2012-13;
- Total additions during the year amounted to £991,000, which primarily related to capital expenditure on the gallery refurbishments;
- The Collection's depreciation charge for the year is £876,000. The building is depreciated over an expected remaining life of 93 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**

The Collection strives to pay all suppliers within 30 days of receipt of an invoice.

During 2012-13 the Wallace Collection paid 85% of undisputed creditors within 30 days of receipt of an invoice (2011-12: 88%).

## The Wallace Collection Annual Report and Accounts 2012-13

### Performance

In addition to financial measures the Collection, also continue to monitor performance against some key performance indicators, agreed with its sponsor body the DCMS detailed below:

		2012-13 (£)	2011-12 (£)
<b>Key Performance Indicators:</b>			
	Number of visits to the museum	377,756	399,913
	Charitable giving (fundraising)	2,052,000	2,023,000
<b>Other Performance Indicators:</b>			
<b>Access</b>			
	Number of unique website visits	378,755	357,967
<b>Audience Profile</b>			
	Number of visits by children under 16	25,011	24,172
	Number of overseas visits	143,547	127,780
<b>Learning</b>			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education.	12,826	12,009
	Number of instances of visitors under 18 participating in on site organised activities.	12,202	11,748
<b>Visitor satisfaction</b>			
	% of visitors who would recommend a visit	98	98
<b>Self generated income</b>			
	Trading income (net profit)	485,491	564,181

#### Sources of data

The Collection measures against these and other performance indicators and returns this data to the DCMS periodically.

Visitor numbers are collected through an electronic counting device at the only visitor entrance. Child visits are collected by a manual counting system and cross-checked against occasional CCTV evidence. Education numbers are kept automatically by the Education department for the sessions that they run. The 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 Collection aims to build on these achievements for 2013-14.

## **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 Limited is at Annex A.

### **Preparation of the Accounts**

The Accounts have been prepared in a form directed by the Secretary of State for Culture, 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, the Charities Act 2011 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, as this is an entirely separate organisation 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 2012-13. 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. External auditors are engaged for the trading subsidiary audit and internal audit services.

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 he is obliged to take as Accounting Officer in order to make himself 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 fortnightly 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.

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Data Handling**

The Wallace Collection has suffered no protected personal data incident during 2012-13 or prior years and has made no such report to the Information Commissioner's office.

### **Sickness Absence**

Sickness absence accounted for 4.6% of all staff time during 2012-13 (2011-12: 4.2%), or 11.6 days per staff member (2011-12: 10.5 days), however this includes those staff members off on long-term sick leave. When these are excluded, the remaining staff absence accounted for 2.3% of staff time (2011-12: 1.8%), which equates to 5.7 days per staff member (2011-12: 4.7 days).

## The Wallace Collection Annual Report and Accounts 2012-13

### Remuneration Report

*The figures in the remuneration report are subject to audit.*

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the Museum. These members of staff are considered to constitute the Senior Management Team (Annex A), however executive authority over the decisions of the Museum as a whole remains in the hands of the Director, guided by the Chairman and Board of Trustees.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2011-12: £Nil). The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team:

	Salary 2012/13 (2011/12)	Performance related pay and bonuses 2012/13 (2011/12)	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31/3/13 and related lump sum	Cash Equivalent Transfer Value at 31/3/12	Cash Equivalent Transfer Value at 31/3/13	Real increase in CETV
	£k	£k	£k	£k	Nearest £k	Nearest £k	Nearest £k
Dr Christoph Vogtherr <i>Director</i> (from 24 October 2011)	85-90 (35-40 – full year equivalent: 80-85)	5-10 (–)	0-2.5	5-10	64	94	16
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 25-30 lump sum	145	167	13
Jeremy Warren <i>Collections and Academic Director</i>	60-65 (60-65)	– (–)	0-2.5 plus 0-2.5 lump sum	25-30 plus 40-45 lump sum	461	520	31
Philip Walsh <i>Finance and Operations Director</i>	60-65 (55-60)	0-5 (0-5)	0-2.5	5-10	61	78	10

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 Wallace Collection Annual Report and Accounts 2012-13**

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

Two of the Senior Managers, Jeremy Warren and Clare O'Brien, receive an additional five days leave per annum in line with the Collection's policy for all staff in relation to long service. No other benefits in kind or non-cash benefits of value were received, and no severance or compensation payments were made to senior managers during the year (2011-12: £Nil).

All of the Senior Management Team were members of the Principal Civil Service Pension Scheme as at 31 March 2013 and, as such, early termination of their contract would have resulted in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No amounts were payable to third parties for services of a senior manager.

The banded remuneration of the Director in the current financial year was £90-95k (2011-12: £80-85k – full year equivalent). This was 4.9 times the median remuneration of the workforce (2011-12: 4.5 times). The median total remuneration of the workforce in the current financial year was £18,933 (2011-12: £18,729). Total remuneration includes salary, performance related pay, and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

Performance of staff and senior managers is formally appraised annually, and judged by reference to achievements against set objectives, at the end of this process bonuses, from a small overall fund, are awarded at the discretion of the Director following recommendations from line managers.

The Director's performance-related pay is decided by the Remuneration Committee, which consists of the Chairman, plus the Trustee members of the audit committee (Annex A), and is based on the restrictions of the Director's contract and against achievement of the Collection's objectives. The Director's contract commenced in October 2011 and is open ended, with a notice period of thirteen weeks. The other senior managers are on permanent contracts with three-month notice periods.

## **The Wallace Collection Annual Report and Accounts 2012-13**

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short-term projects are employed on contracts which match the duration of the projects concerned. Staff are paid according to the nature of the role they perform and each job is graded and included in one of eleven salary bands.

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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.

**The Wallace Collection Annual Report and Accounts 2012-13**

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

.....  
Dr. Christoph Vogtherr  
**Director and Accounting Officer**

8 July 2013

.....  
Sir John Ritblat  
**Chairman**

8 July 2013

## The Wallace Collection Annual Report and Accounts 2012-13

### **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:

<b>Board Member</b>	<b>Appointed</b>	<b>Further notes</b>	<b>Attendance</b>
Sir John Ritblat	August 2003	Chairman from January 2005	4/4
Dr Richard Dorment	July 2003	–	3/4
Adrian Sassoon	August 2007	–	2/4
The Duke of Devonshire KCVO, CBE	August 2007	–	4/4
Professor Jasper Conran OBE	August 2007	–	3/4
Jagdip Jagpal	August 2007	–	3/4
Denise Lewis*	September 2009	–	4/4 (3/4)
Professor Frances Corner OBE*	September 2009	–	3/4 (4/4)
Jennifer Eady QC	January 2013	–	1/1
Rupert Hambro	January 2013	–	0/1
Jessica Pulay	January 2013	–	1/1
Kate de Rothschild Agius	January 2013	–	1/1
Timothy Schroder	January 2013	–	1/1
Sir Hugh Roberts GCVO, FSA	January 2013	–	1/1
Dr Ashok Roy	January 2013	–	1/1

\* Denotes members of the Audit Committee during the year (attendance in brackets)

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

The Countess of Wessex	– Honorary Patron
Mrs Jane Lewis	– appointed January 1998
Mr Pierre Arizzoli-Clementel	– appointed August 2007
The Marquess of Hertford	– appointed July 2008

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

#### **Principal Officers of the Wallace Collection (The Senior Management Team)**

Dr Christoph Vogtherr	– 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

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

Sir John Ritblat  
Dr Christoph Vogtherr

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Bankers:**

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

### **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  
Fairfax House  
15 Fulwood Place  
London WC1V 6AY

## ***Annex B – Wallace Collection Supporters 2012-13***

### **Benefactors**

#### **Hertford Circle**

Anonymous

#### **Seymour-Conway Group**

Anonymous

Ms Nada Bayoud

Ms Miel de Botton

The Duke of Devonshire

Dame Vivien Duffield

The Hon Simon Eccles

Whitney and Elizabeth MacMillan

Mr and Mrs Nadar

Pamela Roditi

Adrian Sassoon

Carolyn Townsend

Jack Verhoeven

Arend Versteegh

Cecilia Versteegh

#### **Patrons**

Anonymous

Lady Alexander of Weedon

Catherine Armitage

Peter and Sally Cadbury

Charles Cator

Cynthia and Oliver Colman

Mrs M. David-Weill

Mr and Mrs Richard Dorment

Nicholas and Gillian Eeley

Lt Cdr Paul Fletcher

Sam Fogg

Mrs Joscelyn Fox

Nancy L. and William P. Hallman, Jr

Mrs Robin Hambro

Mrs Katrin Henkel

Mrs Pauline Heerema

Joanna Hewitt

Hugh Hudson-Davies

Irina and Russell Jacobs

James and Clare Kirkman

David Kogan

Denise Lewis

Richard Mansell-Jones

Jim and Debbie Norling

Jean and John Northover

Rebecca Wang

Roslyn Packer AO

Daniel and Elizabeth Peltz

The Lord and Lady Phillimore

Charles and Caroline Pridgeon

Jessica Pulay

Elizabeth Rabineau

Broocks Robertson

Kate de Rothschild Agius

Sir David and Lady Sieff

Bruno Wang

Alan and Sue Warner

Mr Pierre & Dr Yvonne Winkler

#### **Companions**

Anonymous

Viscountess Bridgeman, The Bridgeman

Art Library

Lord Cholmondeley

The Hon Jolanta Devlin

Giles Ellwood

Christophe Gailly de Taurines

H S Gross

Alice Hodler

Della Howard

Norman A Kurland and Deborah A David

Michael MacCallan

Guy Morton

In memory of the late A V B Nick Norman

Matthew Olley

Christylle Phillips

Ronald Porter

Rebecca Ritblat

Lord Sassoon

Timothy and Ellen Schroder

Torsten Thiele

Dr Lady Tunnicliffe

Patricia Wengraf

Mr and Mrs Rainer Zietz

#### **Bequests & Legacies**

Helena Frost

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Trusts, Foundations & Individuals**

Anonymous  
Richard Aylmer  
The BAND Trust  
The Blunt Trust  
The Coutts Charitable Trust  
The H and J Cunningham Trust  
The Excel Trust  
Heritage Lottery Fund  
Daniel Katz MBE  
Kirby Laing Foundation  
The Leverhulme Trust  
The Deborah Loeb Brice Foundation  
The Loveday Charitable Trust  
John Lyon's Charity  
Peter Marino  
Paul Mellon Centre for Studies in British Art  
Monument Trust  
New York Community Trust  
The Ofenheim Trust  
S.J. Phillips Ltd  
Sir John Ritblat and Family  
William Arthur Rudd Memorial Trust  
The Basil Samuel Charitable Trust  
VALAD Europe  
Barbara Whatmore Charitable Trust  
Wolfson Foundation

### **Corporate Members**

Anonymous  
Bank of London and the Middle East  
Boston Consulting Group  
Colliers International  
Delancey  
Fortius Clinic  
Generation Investment Management  
HSBC Holdings Plc  
Knight Frank  
LA-SER Europe Ltd.  
Maitland  
Selfridges  
The Blackstone Group  
The Portman Estate  
Total  
ZBI Europe

### **Other generous supporters**

Community Learning and Innovation Fund  
Department for Culture, Media and Sport  
DCMS/Wolfson Fund  
Farrow and Ball  
Hertford House Trust  
Masterpiece London  
National Association of Decorative & Fine Arts Societies  
National Institute of Adult Continuing Education

## **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, 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 on a reasonable basis;
- 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. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable for the keeping of proper records, and safeguarding the entities assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Managing Public Money.

.....  
Dr. Christoph Vogtherr  
**Director and Accounting Officer**

8 July 2013

.....  
Sir John Ritblat  
**Chairman**

8 July 2013

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



## ***Governance Statement***

As noted above, the Wallace Collection is governed by a Declaration of Trust dated 27 July 1899, and the Museums and Galleries Act 1992. The Wallace Collection is a non-departmental public body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS), and is a charity exempt from registration under the Charities Act 2011. As an exempt charity, it is regulated by the DCMS, rather than the Charity Commission.

The Wallace Collection is governed by a Board of Trustees answerable to the Secretary of State for Culture, Media and Sport. The Minister is, in turn, answerable to Parliament. The Director of the Wallace Collection is accountable both to the Board as Chief Executive and to the DCMS permanent secretary (as DCMS accounting officer) as Accounting Officer. Further detail is given in the Statement of Trustees' and Accounting Officer's Responsibilities above.

### **The Board of Trustees**

The Board of Trustees of the Wallace Collection is responsible for the overall management and direction of the Wallace Collection. The Director of the Wallace Collection is responsible to the Board of Trustees and is accountable to the DCMS permanent secretary 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 generally concerned with policy and strategy, leaving operational issues to the Director. The Board is chiefly responsible for:

- The setting of key strategic objectives;
- Reviewing overall performance;
- Appointing the Director (in consultation with the Prime Minister);
- Endorsing appointments to key management positions;
- Considering the remuneration of senior staff

The only formal Trustee sub-committee is the Audit Committee. The Board of Trustees meets not less than four times a year, as does the Audit Committee and details of attendance are shown at Annex A. The Audit Committee Trustees, together with the Chairman, fulfil the role of a Remuneration Committee. Other Committees on which Trustees are invited to attend included the Merchandising Committee and the International Council (concerned with Fundraising).

Both the main Board and the Audit Committee receive detailed reports ahead of each meeting compiled by the Director and his staff. These reports cover every aspect of Wallace Collection work and life over the previous quarter, and form a useful basis for Trustee discussions. The Trustees feedback to the Director upon the quality and layout of these reports to ensure that they remain an excellent source of information and data.

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Wallace Collection Staff**

With the assistance of the Senior Management Team (Annex A), 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 fortnight, the managers meet with Director and Senior Management Team once a quarter, and there is a full staff meeting on a monthly basis. In this way the Director can satisfy himself that he is informed on all operational issues in order that he can report to the Board of Trustees.

The Director is satisfied that all of his Accounting Officers duties have been satisfactorily met up to the date of this report.

### **Trustee Appointments**

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2013 there were fifteen in post (Annex A). 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 recommend 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, primarily through a programme of department visits and meetings with the Director and Senior Management Team. An introductory Trustees Handbook of key documents and publications including the Corporate Plan, the Annual Report and Accounts, and the organisation chart is provided.

A register of Trustees' interests is maintained and is available for public inspection on request; this is reviewed by all Trustees at least once a year. Trustees are required to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a Trustee to leave the meeting, or not take part in a discussion or decision on a particular issue. There were no declared potential conflicts of interest in relation to items discussed during the year.

### **Compliance with Corporate Governance Code**

The Wallace Collection is mindful of the Corporate Governance Code for central government departments and the Trustees are content that the Museum complies as appropriate for a NDPB.

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Achievements and effectiveness of the Board**

The key achievement of the Board during 2012-13 was the appointment of seven highly experienced new trustees from a diverse range of backgrounds with the scholarly knowledge, leadership skills and expertise needed to support the Collection now and in the future. The Board also has been working closely with the Director on the future strategic direction of the Collection.

During 2012-13, the Board has continued to provide input into the various ongoing and future capital projects, in particular Phase V – the Great Gallery refurbishment and in addition:

- Agreed that satisfactory progress is being met against the Corporate Plan 2011-14;
- Agreed the 2013-14 budget;
- Reviewed, via the Audit Committee, the Collection's financial management and procedures;
- Received, reviewed and commented on departmental updates.

The Board also counts among its significant achievements for 2012-13 the *Noble Art of the Sword* exhibition, a project several years in development which resulted in considerable critical and commercial success, as well as its accompanying scholarly publications.

The Board reviewed its own effectiveness in October 2012. Board members were asked to rate the board's effectiveness by responding to questions relating to a number of areas including:

- understanding of activities and issues;
- focus and management of meetings;
- quality of information received;
- relationships with senior management team and other staff.

In relation to all these areas, the Board overall felt its effectiveness was either above average or fully satisfactory. As a result of the board effectiveness survey the Board identified some aspects of Collection work which they would like to devote more time to in future Board meetings, and noted that some key financial issues could be explained in greater detail, whilst acknowledging they were happy with the role and rigour of the Audit Committee in this area.

### **Audit Committee**

The Audit Committee, chaired by Professor Frances Corner, is responsible for reviewing the trading subsidiary and the Collection's key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report & Accounts. The Committee reports on its work at each Board meeting.

During the year the committee reviewed the Internal Audit report it commissioned, and agreed the Internal Audit plan for 2013-14 to cover the areas where it would be most beneficial. It reviewed the Strategic Risk Register at each meeting, including hearing reports from responsible individuals. It also reviewed the external audit of the Annual Report & Accounts.

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Risk**

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the Museum is therefore to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk (“The Orange Book”) with reference as appropriate to best practice guidance from the National Audit Office and risk management standards. The Museum assesses risk through consideration of the likelihood of something happening, and the impact which would arise if the risk were actually to occur.

As noted above it is the Senior Management Team and the Director (the SMT) who are responsible for the strategic management of the Wallace Collection and its trading subsidiary, and as part of this set the tone for the Collection’s approach to, and appetite for, risk. This varies depending upon the specific issue. This approach is considered to be appropriate to the Wallace Collection given its size and enables it to maintain a flexible approach to risk.

The Collection at all times strives to meet the objectives set out in the Corporate Plan 2011-14 (see page 5), and the Review of the Year above is set out to show progress against each of these objectives. The day to day risks associated with these activities are managed, constantly challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

These risks, be they financial, reputational or otherwise, are recorded on, and managed through the Collection’s Strategic Risk Register. This was created by the SMT who also ensure it is regularly updated, and this register is reviewed by the Audit Committee at their quarterly meetings. It covers the key risks that the Collection faces and assigns a key individual to manage each risk.

Risk management is therefore an intrinsic part of the everyday decision-making process at the Wallace Collection. Given the tight financial constraints 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.

Risk 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 the Trustees’ 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 key risk priorities of the Wallace Collection in 2012-13 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;

## The Wallace Collection Annual Report and Accounts 2012-13

- Planning for the future against a backdrop of 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.

In addition the Collection is improving its procedures for managing information risk with the implementation of a records management steering group and the introduction of a new Archives and records management policy. All office staff have been trained in the importance of good records management. There have been no lapses in data security during the year.

Both the Board of Trustees and the Audit Committee play a key role in the monitoring of these risks and the internal controls in place to mitigate them.

The Board brings wide-ranging experience and a fresh perspective to key decision-making discussions, and all key issues are brought to the Trustee Board's notice for discussion and ratification. The Audit Committee supports the main Trustee Board and the Accounting Officer by questioning senior management and the internal and external audit functions to satisfy themselves that the Wallace Collection has an adequate system of internal control in order to adequately manage key risks. It has done this by inviting designated responsible risk holders within the Collection to report on their work on a regular basis, and has also received significant assurance from the Internal Auditor that the internal controls in place are sound.

The Board consider this to be an effective risk management strategy, and is confident that the Wallace Collection is successfully managing the key risk priorities noted above.

.....  
Dr. Christoph Vogtherr  
**Director and Accounting Officer**

8 July 2013

.....  
Sir John Ritblat  
**Chairman**

8 July 2013

## **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 2013 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Collection's Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Board of Trustees and the Director as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Wallace Collection's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Wallace Collection; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Wallace Collection's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act; and
- the information given in Risk Section of the Governance Statement and the Review of the Year, Financial Review, Reference and Administrative Detail of the Charity, its Trustees and Advisors, Annex A – Trustees sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP

Date 10 July 2013

## The Wallace Collection Annual Report and Accounts 2012-13

### Consolidated Statement of Financial Activities for the year ended 31 March 2013

	Notes	Unres- tricted Funds	Res- tricted Funds	Total 2012/13	Total 2011/12
		£000	£000	£000	£000
<b>Incoming resources</b>					
<b>Incoming Resources from generated funds</b>					
Voluntary Income					
Donations and similar resources	2	440	1,612	2,052	2,023
Grant-in-Aid	2	2,946	–	2,946	2,983
Activities for generating funds					
Trading income	14	1,473	–	1,473	1,586
Investment income	4	2	–	2	4
<b>Incoming resources from charitable activities</b>					
	3	54	–	54	62
<b><i>Total incoming resources</i></b>		<b>4,915</b>	<b>1,612</b>	<b>6,527</b>	<b>6,658</b>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income					
Fundraising expenditure		119	–	119	148
Marketing and design expenditure		260	–	260	278
Trading: cost of goods sold and other costs	14	880	–	880	871
<b>Charitable activities</b>					
Conservation expenditure		253	37	290	323
Collections expenditure		978	280	1,258	1,096
Security expenditure		1,248	–	1,248	1,297
Building and maintenance expenditure		1,486	748	2,234	2,097
Governance Costs	5	31	12	43	36
<b><i>Total resources expended</i></b>		<b>5,255</b>	<b>1,077</b>	<b>6,332</b>	<b>6,146</b>



**The Wallace Collection Annual Report and Accounts 2012-13**

	Notes	Unres- tricted Funds	Res- tricted Funds	Total 2012/13	Total 2011/12
		£000	£000	£000	£000
<b>Net incoming resources before transfers</b>	7	<b>(340)</b>	<b>535</b>	<b>195</b>	<b>512</b>
<b>Transfers</b>					
Gross transfers between funds	12	233	(233)	–	–
<b>Net incoming resources before other recognised gains and losses</b>		<b>(107)</b>	<b>302</b>	<b>195</b>	<b>512</b>
Gain on revaluation of fixed assets for charity's own use	12	118	465	<b>583</b>	<b>310</b>
<b>Net movement in funds</b>		<b>11</b>	<b>767</b>	<b>778</b>	<b>822</b>
Fund Balances Brought Forward at 1 April 2012		4,634	34,990	<b>39,624</b>	<b>38,802</b>
<b>Fund Balances Carried Forward at 31 March 2013</b>	12	<b>4,645</b>	<b>35,757</b>	<b>40,402</b>	<b>39,624</b>

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 44-64 form part of these financial statements.

**The Wallace Collection Annual Report and Accounts 2012-13**

**Consolidated Balance Sheet  
at 31 March 2013**

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	8	<u>39,568</u>	<u>38,870</u>
<b>Current assets</b>			
Stock		380	445
Debtors	9	701	378
Cash at bank and in hand	13	<u>706</u>	<u>710</u>
		1,787	1,533
<b>Creditors:</b> amounts falling due within one year	10	<u>(953)</u>	<u>(779)</u>
<b>Net current assets</b>		834	754
<b>Net assets</b>	11	<u>40,402</u>	<u>39,624</u>
<b>Represented by:</b>			
Restricted income funds	12	34,203	33,901
Restricted revaluation reserve	12	1,554	1,089
Unrestricted funds:			
Designated funds	12	3,688	3,918
Unrestricted revaluation reserve	12	399	281
General funds	12	<u>558</u>	<u>435</u>
<b>Total funds</b>	12	<u>40,402</u>	<u>39,624</u>

..... Sir John Ritblat – Chairman 8 July 2013

..... Dr. Christoph Vogtherr – Director  
and Accounting Officer 8 July 2013

The notes on pages 44-64 form part of these financial statements.

## The Wallace Collection Annual Report and Accounts 2012-13

### The Collection Balance Sheet at 31 March 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Investment	14	0	0
Tangible assets	8	39,552	38,857
		<u>39,552</u>	<u>38,857</u>
<b>Current assets</b>			
Stock		216	247
Debtors	9	1,177	686
Cash at bank and in hand		171	330
		<u>1,564</u>	<u>1,263</u>
Creditors: amounts falling due within one year	10	(744)	(522)
<b>Net current assets</b>		<u>820</u>	<u>741</u>
<b>Net assets</b>		<u>40,372</u>	<u>39,598</u>
<b>Represented by:</b>			
Restricted income funds		34,203	33,901
Restricted revaluation reserve		1,554	1,089
Unrestricted funds:			
Designated funds		3,674	3,905
Unrestricted revaluation reserve		399	281
General funds		542	422
<b>Total funds</b>		<u>40,372</u>	<u>39,598</u>

..... Sir John Ritblat – Chairman 8 July 2013

..... Dr. Christoph Vogtherr – Director  
and Accounting Officer 8 July 2013

The notes on pages 44-64 form part of these financial statements.

## The Wallace Collection Annual Report and Accounts 2012-13

### Consolidated Cash Flow Statement for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	13 a)	985	1,525
Returns on investment and servicing of finance	13 b)	2	4
Capital expenditure and financial investment	13 b)	<u>(991)</u>	<u>(2,421)</u>
<b>Decrease in cash in the year</b>	13 c)	<u>(4)</u>	<u>(892)</u>

The notes on pages 44-64 form part of these financial statements.

## **The Wallace Collection Annual Report and Accounts 2012-13**

### **Notes to the financial statements for the year ended 31 March 2013**

#### **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 Charities Act 2011, the HM Treasury Financial Reporting Manual, the Accounts Direction given by the Secretary of State for Culture, 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. This is because this is an entirely separate organisation 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.

The accounts have been prepared on a going concern basis. The Trustees are aware of the further proposed cuts to Grant-in-aid and the Museum is looking at ways to increase income from other sources and improve efficiency to reduce costs where possible.

##### **b) Incoming resources**

Income is accounted for in the year in which it is receivable.

Grants for fixed assets are recognised in the SOFA when they are 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.

The value of such donations is often material, and can vary significantly from year to year. While donations and grants in support of capital expenditure are recognised in the SOFA on a receivable basis, the associated capital expenditure is depreciated over the expected useful life of the asset, with assets under construction not depreciated at all. The mismatch between the treatment of funding and expenditure gives the misleading appearance of an increase in funds during the year, and of a consequent reserve carried forward to the future, when in reality the funding has already been used to acquire an inalienable asset. The aggregation of capital and revenue funding therefore disguises the funding of running costs, and limits any assessment of financial performance.

Income relating to future periods is counted as deferred and realised in the year to which it relates.

## **The Wallace Collection Annual Report and Accounts 2012-13**

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 recognised on an accruals basis.

Expenditure is classified under the principal categories of costs of generating funds, charitable activities and governance costs 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. Governance costs are those incurred in connection with the general governance of the Wallace Collection including compliance with constitutional and statutory requirements.

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

Grants payable are recognised when a grant has been approved and this has been communicated to the recipient.

### **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 £2,000 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £1,000 and purchased in bulk are grouped and capitalised when the combined total exceeds £2,000. This avoids unnecessary capitalisation of comparatively low value items in line with other Museums and Galleries.

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 8.

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:

## The Wallace Collection Annual Report and Accounts 2012-13

Freehold land	– not depreciated
Freehold buildings	– over the expected remaining life, with the associated plant over 20 years
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). Purchased antique 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.

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. In the years between the quinquennial revaluations land is 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.

### **g) Heritage Assets**

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.

The Collection comprises 5,635 works of art in total (see p.6) and 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.

Since the Wallace Collection is prohibited by the terms of Lady Wallace’s bequest and subsequent statute from adding to or disposing of its permanent collection, objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection (HHHC) subsequent to the 1897 bequest. This collection was formerly referred to as the Library of Hertford House Archive Collection and renamed in 2005 to avoid any future ambiguity in relation to the Library and Archive Collections’.

There is no separate accession register as such for the Wallace Bequest since this function is deemed to be fulfilled by the original bequest documentation and subsequent

## **The Wallace Collection Annual Report and Accounts 2012-13**

catalogues. An Accession Register has been implemented for the HHHC and is held in the office of the Collections and Academic Director.

Owing to the above stipulations the Wallace Collection neither acquires nor disposes of works of art.

The majority of the Wallace Collection bequest is numbered and catalogued in a series of scholarly publications commencing with *Oriental Arms and Armour* by GF Laking in 1912. The Museum also holds a number of nineteenth-century manuscript inventories of the collection.

The objects in the HHHC are not valued as all of the individual purchases fall under the capitalisation threshold.

There is no value attributed to any items in the Collection as Heritage Assets or otherwise.

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

### *Collections Management*

Under the terms of the bequest, the whole Collection is available to the public all year round. The only time works of art are held offsite is for external conservation, or during major refurbishment works.

Air conditioning was installed in Hertford House in the 1970s in order to regulate temperature and relative humidity to optimise the care of the Collection. In addition over the years additional space has been made available to ensure that the Collection is accessible to all.

### *Object Files*

An object file exists for every object in the collection where correspondence, publication of prints and photographs are held.

### **Museum Plus**

In February 2006 the museum implemented its first computerised Collections Management System, MuseumPlus. A team of three Documentation Assistants and a Documentation Officer were recruited to populate the database with a core record for every object in the 1897 bequest. A basic record was imported to the system from a previously in-use Location list held in Excel. This information supplied Museum Number, Object Name and Location. Working to a pre-defined data standard the team created fuller records using information from scholarly catalogued and object files.

This can be viewed online at [www.wallacecollection.org/thecollection/wallacelive](http://www.wallacecollection.org/thecollection/wallacelive).

Records have also been created for the Hertford House Historic Collection, Handling Collections and for loans from (HHHC) and to the Wallace Collection.



## **The Wallace Collection Annual Report and Accounts 2012-13**

### *Accreditation*

The Wallace Collection is a fully accredited Museum and therefore has in place an Acquisition and Disposal Policy, approved by the Trustees, a documentation procedural manual and maintains the primary documentation procedures as defined by SPECTRUM.

### ***Non inclusion of Heritage Assets in the Balance Sheet***

In the opinion of the Trustees, appropriate and relevant information on cost or value is not available for the Museum's collections. This is owing to the lack of information on purchase cost, the diverse nature of the objects, and the volume of items held.

In the Trustees' opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to incur significant cost that is likely to be onerous. Even if valuations could be obtained the costs would not be at commensurate with any benefits to the Museum management, curatorial staff, the public, or users of the financial statements.

For this reason the Collections are not recognised as assets in the Museum's Balance Sheet.

### **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) 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.

## The Wallace Collection Annual Report and Accounts 2012-13

### *Impairment of financial assets*

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

Where there is objective evidence that an impairment loss exists on 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.

### **1) Taxation**

The Wallace Collection is exempt under section 505 of the Income and Corporation Taxes Act 1988 from taxes on income arising from the pursuit of its charitable objectives.

## **2. Voluntary Income**

£2,946,000 (2011/12 £2,983,000) of Grant-in-Aid has been received from the Department for Culture, Media and Sport during the year, of which £272,000 has been used to fund capital improvements (2011/12 £259,000); the remainder was used to fund operating expenditure. The majority of donations and similar resources are restricted funds raised for capital refurbishments (see note 12).

	<b>2012/13</b>	<b>2012/13</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Donations	340	206	546	449
Heritage Lottery Fund – Community	–	93	93	3
Heritage Lottery Fund – Capital	–	66	66	308
Other Capital Income	–	1,247	1,247	1,263
Legacies	100	–	100	–
	<b>440</b>	<b>1,612</b>	<b>2,052</b>	<b>2,023</b>

## The Wallace Collection Annual Report and Accounts 2012-13

### 3. Incoming resources from charitable activities

	2012/13 Unrestricted £000	2011/12 Unrestricted £000
Tours	33	42
Miscellaneous other income	14	14
	7	6
	54	62

### 4. Investment income

	2012/13 £000	2011/12 £000
Interest receivable	2	4

Interest is earned on short term cash deposits.

### 5. Total resources expended

a)	Staff costs £000	Other costs £000	Depre- ciation £000	Grants £000	2012/13 £000	2011/12 £000
<b>Costs of generating funds</b>						
Fundraising	95	24	–	–	119	148
Marketing and Design	85	175	–	–	260	278
Trading	558	318	4	–	880	871
<b>Charitable activities</b>						
Conservation	203	87	–	–	290	323
Collections	726	532	–	–	1,258	1,096
Security	1,160	88	–	–	1,248	1,297
Building and Maintenance	194	998	872	170	2,234	2,097
Governance	–	43	–	–	43	36
	3,021	2,265	876	170	6,332	6,146

The Grant figure represents a grant of £170,000 (2011/12: £Nil) to the Hertford House Trust, restricted for furtherance of the Wallace Collection's charitable objectives, in particular the maintenance of Hertford House.

## The Wallace Collection Annual Report and Accounts 2012-13

### b) Governance costs

Governance costs include:

	2012/13 £000	2011/12 £000
Trustee Board costs	12	4
Legal Fees	1	–
External Audit Fees	24	26
Internal Audit Fees	6	6
	43	36

### c) Support Costs Breakdown by Activity

Support Costs	Fundraising	Marketing & Design	Trading	Conservation	Collections	Security	Building & Maintenance	Total 2012/13	Total 2011/12
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Director's Office	17	17	17	17	76	9	17	<b>170</b>	257
Finance	4	9	31	10	46	48	83	<b>231</b>	243
Human Resources	1	1	8	4	12	31	2	<b>59</b>	55
Office support and supplies	5	10	10	5	15	2	2	<b>49</b>	73
	27	37	66	36	149	90	104	<b>509</b>	628

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			Grants	Total 2012/13 £000	Total 2011/12 £000
	undertaken directly £000	Support costs £000				
Fundraising expenditure	92	27	–	–	<b>119</b>	148
Marketing and design expenditure	223	37	–	–	<b>260</b>	278
Trading expenditure	814	66	–	–	<b>880</b>	871
Conservation expenditure	254	36	–	–	<b>290</b>	323
Collections expenditure	1,109	149	–	–	<b>1,258</b>	1,096
Security expenditure	1,158	90	–	–	<b>1,248</b>	1,297
Building and maintenance expenditure	1,960	104	170	170	<b>2,234</b>	2,097
	5,610	509	170	170	<b>6,289</b>	6,110

## The Wallace Collection Annual Report and Accounts 2012-13

### 6. Staff costs

<b>a) Staff</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,440	2,447
Social security costs	181	182
Pension costs	376	369
	<hr/>	<hr/>
	2,997	2,998
Agency staff costs	24	62
	<hr/>	<hr/>
	3,021	3,060

The above does not include £58,165 relating to staff costs that were capitalised in year (2011-12: £61,460). These are staff costs relating specifically to capital projects.

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:

	<b>2012/13</b>	<b>2011/12</b>
£60,001 – £70,000	3	4
£90,001 – £100,000	1	–
£100,000 – £110,000	–	1
	<hr/>	<hr/>
	4	5

All of the employees earning over £60,000 in the year are members of the PCSPS.

#### **b) Pension Costs**

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPPS). The PCSPPS 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](http://www.civilservice-pensions.gov.uk)).

For 2012/13, employers' contributions of £351,393 were payable to the PCSPPS (2011/12: £349,011) 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. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 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.

## The Wallace Collection Annual Report and Accounts 2012-13

Employers' contributions of £31,582 (2011/12: £28,169) 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 £2,762 (2011/12: £2,134). No contributions were prepaid at that date.

### c) Average number of employees

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

	Perm- anent Staff	Temp- orary Staff	Mana- gerial Staff	2012/13 Total	2011/12 Total
Director's Office	1.0	–	1.0	2.0	2.4
Conservation	5.6	–	–	5.6	5.9
Collections	17.2	–	1.0	18.2	15.3
Security	43.1	1.3	–	44.4	45.9
Building and Maintenance	3.0	–	–	3.0	3.0
Fundraising	1.5	–	0.5	2.0	2.4
Marketing & Design	1.3	–	0.5	1.8	2.0
Trading	12.3	–	–	12.3	12.2
Finance and HR	3.6	–	1.0	4.6	4.5
	88.6	1.3	4.0	93.9	93.6

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 1.5 full time equivalent staff for the year as a whole (2011-12: 1.5 FTE).

### d) Trustees

The Trustees neither received nor waived any emoluments during the year (2011-12: £nil). Expenses reimbursed to the Trustees for travel and subsistence amounted to £nil (2011-12: £nil). If any such reimbursed expenditure is incurred, it is funded from a specific donation from the Chairman. The Chairman and Board of Trustees are appointed for periods of 3 to 5 years.

### e) Compensation for loss of office

No employees left under compulsory early severance terms in the year (2011-12: Five employees received payments totalling: £33,269).

## The Wallace Collection Annual Report and Accounts 2012-13

### Reporting of Civil Service and other compensation schemes – exit packages

(Comparatives for 2011-12 in brackets)

Exit Package cost band	Compulsory Redundancies		Other Departures Agreed*		Total	
<£10,000	–	(1)	–	(4)	–	(5)
£10,000 – £25,000	–	(–)	–	(–)	–	(–)
£25,000 – £50,000	–	(–)	–	(–)	–	(–)
TOTAL Number	–	(1)	–	(4)	–	(5)
TOTAL COST	–	(£5,309)	–	(£27,960)	–	(£33,269)

\* Fixed term contracts ending in excess of two years.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

### 7. Net incoming resources

Net incoming resources are stated after charging:

	2012/13 £000	2011/12 £000
Auditors' remuneration:		
NAO audit fee	18	18
Trading subsidiary audit fee	6	7
Internal audit fees	6	6
Operating lease rentals for hire of plant and machinery	11	20

All external auditors' remuneration was for audit work.

## The Wallace Collection Annual Report and Accounts 2012-13

### 8. Tangible fixed assets

#### Group

	<b>Freehold land and buildings £000</b>	<b>Fixtures and fittings £000</b>	<b>Office Equip- ment £000</b>	<b>Assets Under Constru- ction £000</b>	<b>Total £000</b>
<b>Cost/valuation</b>					
Balance at 1 April 2012	36,308	4,163	681	304	41,456
Additions	47	29	8	907	991
Transfers	174	172	–	(346)	–
Disposals	–	(21)	(35)	–	(56)
Revaluation	360	297	–	–	657
<b>Balance at 31 March 2013</b>	<b>36,889</b>	<b>4,640</b>	<b>654</b>	<b>865</b>	<b>43,048</b>
<b>Depreciation</b>					
Balance at 1 April 2012	622	1,495	469	–	2,586
Charge for the year	649	174	53	–	876
Disposals	–	(21)	(35)	–	(56)
Revaluation	17	57	–	–	74
<b>Balance at 31 March 2013</b>	<b>1,288</b>	<b>1,705</b>	<b>487</b>	<b>–</b>	<b>3,480</b>
<b>Net book value</b>					
<b>Balance at 31 March 2013</b>	<b>35,601</b>	<b>2,935</b>	<b>167</b>	<b>865</b>	<b>39,568</b>
Balance at 31 March 2012	35,686	2,668	212	304	38,870

The net book value at 31 March 2013 represents tangible fixed assets used for:

	<b>Freehold land and buildings £000</b>	<b>Fixtures and fittings £000</b>	<b>Office Equip- ment £000</b>	<b>Assets Under Constru- ction £000</b>	<b>Total £000</b>
Charitable purposes	35,601	2,925	162	865	39,553
Trading Activities	–	10	5	–	15
	<b>35,601</b>	<b>2,935</b>	<b>167</b>	<b>865</b>	<b>39,568</b>



## The Wallace Collection Annual Report and Accounts 2012-13

### The Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equip- ment £000	Assets Under Constru- ction £000	Total £000
<b>Cost/valuation</b>					
Balance at 1 April 2012	36,308	4,147	598	304	41,357
Additions	47	28	2	907	984
Transfers	174	172	–	(346)	–
Disposals	–	(21)	–	–	(21)
Revaluation	360	297	–	–	657
<b>Balance at 31 March 2013</b>	<b>36,889</b>	<b>4,623</b>	<b>600</b>	<b>865</b>	<b>42,977</b>
<b>Depreciation</b>					
Balance at 1 April 2012	622	1,490	388	–	2,500
Charge for the year	649	172	51	–	872
Disposals	–	(21)	–	–	(21)
Revaluation	17	57	–	–	74
<b>Balance at 31 March 2013</b>	<b>1,288</b>	<b>1,698</b>	<b>439</b>	<b>–</b>	<b>3,425</b>
<b>Net book value</b>					
<b>Balance at 31 March 2013</b>	<b>35,601</b>	<b>2,925</b>	<b>161</b>	<b>865</b>	<b>39,552</b>
Balance at 31 March 2012	35,686	2,657	210	304	38,857

### 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 £33,800,000 on a depreciated replacement cost basis at 31 March 2011 by an independent surveyor, Gerald Eve, in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, First Edition. In between the full quinquennial revaluations the land and building are revalued on an annual basis using appropriate indices.

## The Wallace Collection Annual Report and Accounts 2012-13

### 9. Debtors

	<b>Group 2013 £000</b>	<b>Group 2012 £000</b>	<b>Collection 2013 £000</b>	<b>Collection 2012 £000</b>
Trade debtors	157	172	22	14
Other debtors	20	32	20	32
VAT debtors	81	99	138	153
Amount due from subsidiary	–	–	561	418
Prepayments and accrued income	443	75	436	69
	701	378	1,177	686

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

The debtors include £81,177 (2012: £98,946) owed by HM Revenue and Customs, and no amounts owed by central government departments. All other amounts are with bodies external to government.

### 10. Creditors: amounts falling due within one year

	<b>Group 2013 £000</b>	<b>Group 2012 £000</b>	<b>Collection 2013 £000</b>	<b>Collection 2012 £000</b>
Trade creditors	355	216	338	199
Taxation and Social Security	95	93	95	93
Accruals	257	169	251	163
Deferred Income	235	275	49	41
Other Creditors	11	26	11	26
	953	779	744	522

The creditors include £94,573 (2012: £92,515) owed to HM Revenue and Customs, and no other amounts owed to central government departments. All other amounts are with bodies external to government.

The movement on the deferred income account is as follows:

	<b>Group 2013 £000</b>	<b>Group 2012 £000</b>	<b>Collection 2013 £000</b>	<b>Collection 2012 £000</b>
Deferred income at 1 April	275	315	41	84
Released in year	(275)	(315)	(41)	(84)
Deferred in year	235	275	49	41
Deferred income at 31 March	235	275	49	41

## The Wallace Collection Annual Report and Accounts 2012-13

### 11. Analysis of net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total Mar-13 £000
<b>Fund balances at 31 March 2013 are represented by:</b>			
Tangible fixed assets	4,087	35,481	39,568
Current assets	1,510	277	1,787
Current liabilities	(953)	–	(953)
<b>Total net assets</b>	<b>4,644</b>	<b>35,758</b>	<b>40,402</b>

There are no unrealised gains included above.

### 12. Consolidated statement of funds

	Balance at 1 April 2012 £000	Income £000	Expen- diture £000	Reval- uation £000	Trans- fers £000	Balance at 31 March 2013 £000
<b>Unrestricted funds</b>						
Designated funds:						
Capital projects fund (a)	3,828	–	(211)	–	71	3,688
Revaluation reserve	281	–	–	118	–	399
Designated capital fund (b)	90	–	(90)	–	–	–
General funds	435	4,915	(4,954)	–	162	558
<b>Total unrestricted funds</b>	<b>4,634</b>	<b>4,915</b>	<b>(5,255)</b>	<b>118</b>	<b>233</b>	<b>4,645</b>
<b>Restricted income funds</b>						
Capital reserve (c)	33,673	–	(665)	–	918	33,926
Revaluation reserve	1,089	–	–	465	–	1,554
Conservation projects (d)	14	71	(37)	–	–	48
Education fund (e)	8	149	(141)	–	(12)	4
Publication fund (f)	69	39	(20)	–	–	88
Archive project (g)	87	5	(15)	–	–	77
Curatorial projects (h)	–	15	(15)	–	–	–
Exhibitions fund (i)	–	5	(89)	–	84	–
Gallery refurbishment (j)	50	1,313	(83)	–	(1,223)	57
Chairman's fund (k)	–	15	(12)	–	–	3
<b>Total restricted funds</b>	<b>34,990</b>	<b>1,612</b>	<b>(1,077)</b>	<b>465</b>	<b>(233)</b>	<b>35,757</b>
<b>Total funds</b>	<b>39,624</b>	<b>6,527</b>	<b>(6,332)</b>	<b>583</b>	<b>–</b>	<b>40,402</b>

## **The Wallace Collection Annual Report and Accounts 2012-13**

- 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.
- c) The Capital reserve fund represents the net book value of the property and other fixed assets purchased from restricted funds.
- d) The Conservation projects fund includes funds specifically for conservation projects from various donors, the most significant element of the year end balance is the Reynolds Conservation Project.
- e) The Education fund assists with the cost of the Collection's education department. The transfer represents the unrestricted funds previously used to help fund the HLF audience development project, repaid this year following drawdown of the funds from the HLF. The project ended in March 2013.
- f) The Publication fund reflects donations towards the Collection's scholarship activities. The funds at the year end relate to work on Italian Sculpture and Gold boxes.
- 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 phase of gallery refurbishments. The transfer relates to the restricted element of the works under construction during the year.
- 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 Trustee meeting expenses and the costs incurred in recruiting new trustees.

## The Wallace Collection Annual Report and Accounts 2012-13

### 13. Cash flow information

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

	Notes	2012/13 £000	2011/12 £000
Net incoming resources for the year		195	512
Depreciation	8	876	852
Investment income received	4	(2)	(4)
Loss on disposal of fixed assets		–	302
Decrease/(increase) in stock		65	(156)
(Increase)/decrease in debtors	9	(323)	80
Increase/(decrease) in creditors	10	174	(61)
<b>Net cash inflow from operating activities</b>		<b>985</b>	<b>1,525</b>

#### b) Analysis of cash flows

		2012/13 £000	2011/12 £000
<b>Returns on investments and servicing of finance</b>			
Interest received	4	2	4
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	8	991	2,421

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

	2012/13 £000	2011/12 £000
(Decrease) in cash in the year	(4)	(892)
Movement in net funds in the year	(4)	(892)
Net funds at 1 April (note 13(d))	710	1,602
<b>Net funds at 31 March (note 13(d))</b>	<b>706</b>	<b>710</b>

#### d) Analysis of net funds

	1-Apr 2012 £000	Cash Flow £000	31-Mar 2013 £000
Cash held in commercial banks and in hand	710	(4)	706

## The Wallace Collection Annual Report and Accounts 2012-13

### 14. Hertford House Marketing Ltd

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 (Company Number 3183595). 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.

#### Income and Expenditure Account:

	2012/13 £000	2011/12 £000
Turnover	1,473	1,586
Cost of Sales	(265)	(266)
Gross profit	1,208	1,320
Administrative Expenses	(721)	(763)
Operating Profit	487	557
Interest Receivable	1	2
Contribution to The Wallace Collection	(485)	(564)
Net profit/(loss) before Tax	3	(5)
Tax	–	–
Net profit/(loss) after Tax	3	(5)
<b>Reconciliation to SoFA:</b>		
Cost of Sales	265	266
Administrative Expenses	721	763
less: Audit fee included in Governance	(6)	(7)
less: Intercompany sales	(100)	(151)
Per Consolidated SoFA	880	871

## The Wallace Collection Annual Report and Accounts 2012-13

### Balance sheet:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Tangible Fixed Assets	15	13
Current Assets	839	740
Current Liabilities	(827)	(729)
Net Assets	27	24
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Share Capital	–	–
Reserves	27	24
Net Assets	27	24

### 15. Financial commitments

At 31 March 2013 the Collection had annual commitments under non-cancellable operating leases for equipment as follows:

Operating leases expiring within:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
In under one year	–	16
In the second to fifth years inclusive	11	4
Over five years	–	7
	11	27

Hertford House Marketing Limited has no such financial commitments.

## The Wallace Collection Annual Report and Accounts 2012-13

### 16. 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 45% (2011-12: 45%) of the Museum's income was 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 £350,000. 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.

#### *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 £2,066 (2011-12 - £3,711) is generated from interest earned, the Museum is not exposed to significant interest rate risk.

### 17. Capital commitments

At 31 March 2013 capital expenditure commitments were as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Authorised by the Trustees and contracted for	2,832	282

This commitment relates to the on-going refurbishment of the Great Gallery, and has been undertaken by the Trustees, following receipt of a pledge letter from the Hertford House Trust in respect of the funds required to complete the project. The Hertford House Trust in turn has been generously supported by a pledge from the Monument Trust.



## **The Wallace Collection Annual Report and Accounts 2012-13**

### **18. Related party transactions**

The Wallace Collection is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year, the Wallace Collection has had a number of material transactions with the Department and with other entities for which the Department is the sponsor, for example; The British Museum, Tate, The National Gallery, National Museums Liverpool, The Victoria and Albert Museum, The National Portrait Gallery, The Natural History Museum, The Royal Armouries, Sir John Soane's Museum, and The British Library.

During the year, no Trustee, key manager or related party has undertaken any material transactions with the Wallace Collection except as detailed below:

The Chairman generously supports the Collection through the 'Chairman's Fund', the details of which are shown in note 12.

Several Trustees are also supporters of the Collection, and they are shown in Annex B.

### **19. Post Balance Sheet Events**

There were no significant events after the year end.

The accounts were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's certification.

### **20. Contingent Liabilities**

There were no contingent liabilities as at 31 March 2013.



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