

The Wallace Collection
Annual Report and Accounts 2013-2014

The Wallace Collection Annual Report and Accounts 2013-2014

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

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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

As the horizon for the current Corporate Plan 2011-14 comes to an end, this report looks back on the Collection's achievements in delivering 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.

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.

3) Excellence and Public Face

To improve visitor understanding and appreciation of the Collection, and visitor 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.

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.

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.

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In addition the Collection has, as part of our strategy for moving forward, developed the 'Ten Year Plan', which has the following main objectives:

In 2024 the Wallace Collection will be:

- 1) A leading centre for French eighteenth-century art and for European princely arms and armour;
- 2) A welcoming, accessible and inspirational Museum promoting our core areas to a diverse audience and encouraging learning;
- 3) A Museum with an up-to-date infrastructure and with sufficient space for its collections, visitors, staff and activities.

The Collections

The works of art in the Collection, broken down by collection category 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	1057
Asian and African Art	98
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)*

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These objects (5,637 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*), furniture, porcelain and goldsmiths' work, including many pieces from the royal chateaux, 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.

As 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 education, collection services and 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 Wallace Collection has seen record visitor number in 2013-14 with just over 415,000 visitors through the year. This is despite the closure of the Collection's largest and most iconic space, the Great Gallery. The redisplay of key works of art from the Great Gallery including the *Laughing Cavalier* and other Dutch pictures, to the Large Drawing Room; British pictures to the West Room; Italian and Spanish paintings to the Dining Room; and French and Spanish pictures to the Smoking Room has proven extremely popular with regular and new visitors alike.

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The Great Gallery refurbishment, due to re-open to the public in the autumn of 2014, has continued on budget and to schedule and is certain to be a huge success. The opening of the Great Gallery will also mark the beginning of the period covered by our new Ten Year Plan.

For the years from 2014, the Museum needed clear priorities and a new sense of direction to guide decisions and help raise funds. This is even more important in a time of a rapidly changing public sector and relative financial insecurity. The Ten Year Plan has enabled planning, helped motivation and allowed us to communicate our aims and ideals to the staff, our public, visitors, the press, supporters and benefactors.

As important as the Ten Year Plan has been so too were the internal discussions leading to it. We have had the opportunity to learn about viewpoints, perspectives and priorities within the institution and about each other's work. The result has been a better understanding and more respect. It has also given the Director the opportunity to communicate, explain, discuss and develop his vision for the Museum.

The Ten Year Plan has necessitated some changes to the organisational structure that sharpen the remit of each directorate around one of the three new objectives.

The Collections Directorate champions the first objective and will develop the Wallace Collection Research Centre as a new and central part of its activities.

The Development and Marketing Directorate has changed its name to the Public Engagement Directorate and champions the second objective, with the Education department now a central part of these activities. Responsibility for the restaurant has also moved over so that all commercial activities sit together.

The Finance and Operations Directorate champions the upgrade and transformation of the Museum's infrastructure, with a new Building and Projects team at the heart of this.

The Director's office will continue to concentrate on strategic issues. The Fundraising Department, central to these issues, has moved into the Director's office. A new Head of Fundraising has been appointed, who will manage the Department and report to the Director.

The various other activities of Wallace Collection life throughout the year are outlined below highlighting the Collection's achievements in delivering the 2011-14 Corporate Plan objectives.

Gallery Refurbishment 2013-14

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.

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The refurbishment of the Great Gallery was completed on programme and within budget in April 2014. The refurbishment was externally funded by the generous support of The Monument Trust and The Hertford House Trust.

The Great Gallery impresses with a new sense of space, improved lighting conditions and a dark red silk on the walls that will ideally serve our masterworks of baroque painting and the objects that will soon return into the gallery. This complicated and time-consuming rehanging of the works of art in the refurbished space means that the Gallery will open to the public in September 2014.

The Fundraising Department

The new department has, despite the restructuring and a challenging economic climate, had an excellent year. 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 membership scheme *Benefactors* (now at over 80 members) and we are grateful to our Corporate supporters. 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, and generous donations from a number of anonymous supporters.

Planning for the Great Gallery Gala is well underway with a Gala sub-committee of the International Council meeting regularly to discuss progress and steer the development of the event.

The Collections Department

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.

The Wallace Collection: Catalogue of Gold Boxes was published in July 2013 and has been very well received, with *Apollo* magazine noting that the 'catalogue admirably reveals both the scholarship which can be applied to these small objects, and the pleasure they continue to give.'

The papers of the conference which accompanied the exhibition of Peter Marino's collection of bronzes in 2010 were also published during the year – *Renaissance and Baroque Bronzes: In and around the Peter Marino Collection*, contains essays by an array of important scholars.

Work on the catalogue of Italian Sculptures is continuing, with most of the complex object entries written, it is anticipated that the catalogue will be published in 2014-15.

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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 2016-17.

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

For educational activities completed in support of this objective, see the Education department now part of the Public Engagement Directorate 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 advancing scholarly knowledge 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. The Department also offers advice to Arts Council England.

It organises conferences and also 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.

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

Shortly after the end of the financial year Stephen Duffy, Curator of Pictures and Exhibitions retired after 23 years at the Wallace Collection. There cannot have been a more fitting send off than the success of the *Discovery of Paris* exhibition and of his catalogue *The Discovery of Paris: Watercolours by early Nineteenth-Century British Artists* which received critical acclaim and sold out during the exhibition.

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.

Oriental arms and armour remain the principal focus for hands-on conservation, again towards the catalogue project.

Furniture conservation has been focused on the conservation of the French royal secrétaire by one of the most important French eighteenth-century cabinet-makers Jean-Henri Riesener (F302). This has included thorough research into its construction and materials, effectively re-writing the catalogue entry on this piece of furniture, and serving as the basis for future research on the work of Riesener in general.

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Simultaneously, the discovery of a nineteenth-century copy of the near-contemporary Foullet secrétaire (F299) has enabled the Department to mount a special exhibition of the two pieces in the Conservation Gallery.

Research and conservation work on the fifteenth-century marble *Head of Christ* by Torrigiani (S7) is continuing, with significant discoveries being made regarding early phases of its polychrome decoration.

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 been involved throughout the year in the object moves associated with the Great Gallery project and the Collection's exhibitions.

The Reynolds Research Project

The Advisory Group continued to meet and discuss the progress of the treatment of the Wallace Collection's Reynolds paintings. Reynolds' portrait of the *Duke of Queensberry* (P561), returned to the Front State Room in March 2014 after successful cleaning. Conservation of the portrait of Nelly O'Brien (P38) progresses. The next meeting is scheduled for the summer of 2014 to assess progress.

The Wallace Collection was the recipient this year of the prestigious TEFAF Restoration grant. A documentary film about the conservation treatment was prepared and shown at the fair to promote the Reynolds Research Project.

The National Gallery Technical Bulletin (2014) is dedicated to the paintings by Reynolds at the Wallace Collection and the National Gallery. Work is also progressing on the associated exhibition and catalogue.

Exhibitions

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.

Our exhibition, *The Discovery of Paris: Watercolours by Early Nineteenth-Century British Artists*, was on display from 20 June to 15 September 2013 and featured works by Turner, Bonington, and Thomas Shotter Boys. It was a considerable success, with 25,000 visitors, a sold-out catalogue, and excellent reviews.

The Male Nude. Eighteenth-Century Drawings from the Paris Academy (24 October 2013–19 January 2014), comprised 37 French life drawings of male nudes from the late seventeenth to the late eighteenth century, all from the collection of the École nationale supérieure des Beaux-Arts in Paris. Many of the extraordinary drawings are by artists represented in the Wallace Collection and the exhibition attracted considerable interest.

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Other Special Displays

The small display in the Porphyry Court of four objects from the Barber Institute, Birmingham, timed to coincide with the 80th anniversary of its opening ended in September. This was followed in the Porphyry Court by *White Light/White Heat* (27 November to 23 February) a display of glass designed by contemporary artists. This was a collaboration between the London College of Fashion, Berengo Glass Studio, Venice, and the Wallace Collection featuring works from a project created for the 55th Venice Biennale. The artists represented included Charlotte Hodes, Tracey Emin, Michael Joo, Cornelia Parker and Thomas Schütte.

The Conservation Gallery display, *True Colours* revealed examined the conservation of the commode, made in 1780 by Jean-Henri Riesener for the *cabinet intérieur* of Queen Marie Antoinette at Versailles. As well as telling the story of the conservation project, the display included a reconstruction of the original colours of the marquetry veneers. This has been followed by *Reproducing the 18th century: Copying French Furniture*, looking at cabinets from the second half of the 19th-century and the first decade of the 20th-century – rather than being dismissed as mere ‘reproductions’, these copies were of great quality and were highly prized by their owners.

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 including 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 Picture Library has continued to catalogue historic glass plate negatives with the aim of re-housing and digitising these – which total about 8,000 negatives – thus reducing storage requirements.

The department is also working on the Wallace Collection’s records management programme and successfully managed the Wallace Collection’s Accreditation application to the Arts Council.

Library and Archives

The Library has been busy with cataloguing throughout the year, in particular the large collection of arms and armour offprints left to the library by Claude Blair. Visitor numbers have been steady.

In order to create more space for library and archive storage, periodical runs which are no longer current or those which we no longer acquire have been moved to the storage space in the vault of St James’s Catholic Church in George Street. They will eventually be joined by sale catalogues from 1900–1949.

The test site for publishing our archive collections online is now available. We hope to see both the Herbert Bier and Watson Archives published online in the next year. Making our archive collections available online is a key objective of the Ten Year Plan and so we are very pleased to see the progress being made in this area.

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The Friends of the National Libraries, which has been a generous supporter of the Wallace Collection, has again presented the Collection with a rare book of engraved plates accompanied by manuscript annotations on cannons, artillery ordnance and artillery tactics, dated 1782.

The most significant addition to the Hertford House Historic Collection was however the acquisition of a significant number of objects associated with the comte de Nieuwerkerke, whose collection of medieval and Renaissance works of art was purchased by Sir Richard Wallace in August 1871.

The Public Engagement Directorate

2011-14 Corporate Plan Objective: Excellence and Public Face

To improve visitor understanding and appreciation of the Collection, and visitor 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.

Clare O'Brien has left the Museum after twelve extremely successful years of revenue generation and improving visitor awareness and understanding of the Collection. The new Director of Public Engagement, Derek Purnell, now leads the Public Engagement Directorate building upon this success.

The closure of the Great Gallery has been well managed throughout with careful efforts made to minimise its impact and explain the benefits of the project. The record visitor numbers show the benefit of the post Olympics tourist environment in the UK and the successful marketing campaign encouraging visitors to revisit the Great Gallery masterpieces in their new temporary homes.

Various initiatives to improve the visitor experience have already begun such as simplification and improved navigability of the audio guides, reviews of the floorplan, signage, What's On, shop products and consideration of the proposal to open on Friday evenings once a month.

The Education Department

Schools' Programmes

Once again, the education and other departments worked with local primary school St Vincent's RC as part of Takeover Day. Organised by the National Children's Commissioner, this gives children and young people the opportunity to work with adults and be involved in decision-making. Over forty-five pupils aged between eight to eleven years old participated in the day on 22 November. Pupils helped to staff the front desk, provided support to the shop by pricing items and placed visitor purchases in bags. They also supported the staff in the galleries and the young curators led a public tour themed 'animals in art'.

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In addition to the hundreds of schools' programmes run through the year, this year the Education department took part in The Four Seasons' outreach project run as part of the Prince's Foundation for Children and the Arts *Great Art Quest*. The Wallace Collection worked with four primary schools, all new to the Museum, and chosen because of the high proportion of pupils in receipt of free school meals. For many of the children taking part in the *Great Art Quest* this was their first experience of visual arts in a professional Museum or gallery setting. The project explored the theme of the seasons through art and storytelling. The project culminated in a perhaps once in a lifetime opportunity for the children to exhibit and perform their work in our exhibition galleries from 3 – 10 March.

Other highlights included an expanded programme of life drawing workshops 'Naked Bodies: The Male Nude' for AS and A2 art students introduced to tie in with the *Male Nude* exhibition, and masterclasses for 6th form students on History, Art History and, new for 2013-14, Conservation. This was on top of our annual *What is it like to work in a Museum? Careers Open Day*. All events were at full or close to full capacity and were widely praised by pupils and teachers for the insight they gave into possible university and career paths.

Children and Families

The department continues to run many Children and Family activities. A particular highlight from the family programme was a special event run in conjunction with the Wigmore Hall. Other activities through the year included a four-day junior art summer school focusing on watercolour painting and sculpture, a digital photography course for teenagers, a free drop-in event celebrating the beginning of Eid al-Fitr, and a film-making project for 16 young people between 14 and 23. This film project was run in conjunction with the Geffrye Museum and supported by Arts Council England and aimed to create video podcasts about eight different objects and paintings found in the Wallace Collection. The young people worked to research, script, film and edit their films. The vodcasts called 'Secrets of the Wallace Collection' have been released weekly on the Wallace Collection Website.

Community and Access Programme

The NIACE funded *Out of the Frame* Loan Box project came to an end in July. Over 350 learners and 29 volunteers joined the project. Care staff and volunteers were empowered to run activities with the boxes independently and confidently. Learners reported that the project gave them an opportunity to learn, have new discussions, reminisce and enjoy themselves. The project has highlighted that there is a real hunger for art based activities in care homes.

Amongst other programmes, this year also saw the introduction of 'Rediscovery Tours', a project with Westminster Memory service. These free events for people in the early stages of dementia and their carers took place on Wednesday afternoons in February and allowed participants to experience the Wallace Collection through interactive tours and an opportunity to create some art in response. This partnership with Westminster Memory Service will continue into the future.

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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).

Highlights from the adult programme included a successful ‘in-conversation’ event between Lady Antonia Fraser and Stephen Duffy, as well as ‘Ink and Drink’, a special evening event run in conjunction with Templar Publishing and adult colouring books PICTURA™. ‘Ink and Drink’ was particularly successful in attracting a younger demographic to the Museum; the majority of attendees were in their twenties and thirties.

In January the Wallace Collection, in partnership with the Geffrye Museum and support from Arts Council England welcomed nearly 70 people aged 16–24, for a Royalty themed, after-hours evening complete with creative events, entertainment and food.

The members of the Geffrye Museum’s Youth Advisory Panel planned the event in its entirety. The resulting event *Royal Wonders @ the Wallace*, was a huge success and attracted a diverse group of young people to the Museum – most of whom had never been here before.

Another hugely popular evening event was *Making Out at the Wallace: A Très Gay Soirée*, which took place on the 21 February and was aimed at the LGBTQ (Lesbian, Gay, Bisexual, Transgender, Queer) community and celebrated LGBT History Month.

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

Visitors

This year has seen the Wallace Collection achieve 415,469 visitors (2012-13: 377,756), our highest visitor level since the Collection’s opening year. It is noteworthy that this number has been achieved in a year during which the Great Gallery has been closed. Figures have been consistently strong month on month and we are pleased that public recognition of the Collection continues to grow. 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.

The Discovery of Paris was a notable success over the summer months (normally weaker in terms of exhibition visitor attendees), and alongside *The Male Nude* and the last month of *Murillo*, contributed to a strong year for exhibitions.

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.

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Following the successful campaign encouraging visitors to revisit the Great Gallery masterpieces in their new temporary homes, the 2013-14 campaign *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 – has proved very successful. Peaks in visitor numbers and jumps in web traffic were noted with each strand going out in major newspapers and on public transport.

On top of this, both Collection publications and the general Wallace Collection have continued to attract coverage in both domestic and international press, print and online. Highlights have included a Metro feature on *The Swing* and an extended piece in The Telegraph.

Online, our web visits remain high, with an increase in first time users of 70%. Mobile visits are up by 45% on last year's figures and the Collection blog, which we edit and contribute many articles to, received over 21,000 views in the final quarter of the year alone.

Our engagement with the public on Twitter and Facebook is particularly pronounced, we now have over 18,000 Twitter followers and 13,000 Facebook fans. Both are excellent tools for quick updates and to converse with our followers. 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. Going forward we hope to develop Instagram as an additional social media channel.

We are currently working through the Wallace Collection's YouTube channel dividing videos into playlists (such as Celebrities, Artists & Creatives inspired by the Wallace Collection, Conservation Stories, Talks and Lectures) and subtitling all videos. This will improve access and search engine optimisation.

Income Generation

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 by over £200,000. Fewer events were forecast with the closure of the Great Gallery and suspension of the Corporate Membership Scheme however the team still managed 86 events during the year (2012-13: 107). The department continues to market the Wallace Collection as a magnificent and special place to hold corporate and private events.

The team has successfully launched the new Corporate Membership Scheme, securing seven confirmed corporate members ahead of the official launch in September 2014.

Retail and Visitor Services

Retail turnover benefited from the increase in visitors and was up 12% on 2012-13. In addition spend per customer remained robust; the challenges that remain are those of growing online sales, the conversion of visitors to customers and improving profitability.

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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 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, and has increased from last year in line with the increase in visitor numbers:

2013-14: £173,569

2012-13: £155,124

2011-12: £164,157

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.

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 Building and Projects 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 Building and Projects Department

In addition to the successful management of the Great Gallery refurbishment discussed earlier, the department also 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 the department has managed other building works 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. Utility cost increases have placed pressure on limited budgets, but these have been mitigated where possible by using collaborative procurement arrangements.

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The IT Department

The ICT infrastructure within the Wallace Collection is currently undergoing a major overhaul in order to improve efficiency for all and to begin to deliver against the Ten Year Plan infrastructure objective. The department also provides training to staff and daily network and desktop IT support.

The Grant of an additional £100,000 at the end of 2013-14 from the DCMS in respect of capital investment has enabled the purchase of new virtual servers to upgrade the Collection's aging server infrastructure.

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.

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, however like most art institutions across the country, the Wallace Collection is affected by substantial budget cuts, and as a consequence, can no longer guarantee that all of our galleries are open all of the time.

Human Resources

As with every year, the HR Manager has had to keep on top of changes in employment law, plus assisting managers in all aspects of personnel management, and overseeing staff recruitment. She oversees the welfare and personnel issues of approximately 95 staff. A review of the electronic personnel management software is underway; with a view to further improve efficiency and record keeping.

Financial Review

Financial results

Net incoming resources in the year amounted to £2,299,000 (2012-13 – £195,000). 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 £2,532,000 (2012-13 – £907,000) as assets under construction. The majority of which related to the on-going Phase V Gallery refurbishments, with the remainder relating to the IT virtualisation project.

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 £2,994,000 (2012-13: £2,946,000). This includes £285k awarded towards capital improvements to Hertford House, (2012-13: £272k) and the one off restricted award of £100k for IT virtualisation. This in total represents 37% of the Collection's total income for the year (2012-13: 45%);
- (b) Fund raising expenditure amounted to £130,000 (2012-13: £119,000). The increase is due to changes in staffing and increased management time to form the new department in the year;
- (c) Marketing and design expenditure amounted to £262,000 (2012-13: £260,000). There remains a continued focus on the ongoing advertising strategy which has been instrumental in increasing awareness and visitors to the Collection;
- (d) Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £860,000 (2012-13: £880,000). Overall income from trading activities has remained robust, increasing in line with the increased visitor numbers to £1,617,000 (2012-13: £1,473,000);
- (e) Conservation expenditure amounted to £297,000 (2012-13: £290,000), with several critical works of art conserved during the year, and the Reynolds conservation project continuing successfully;

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- (f) Collection expenditure amounted to £1,205,000 (2012-13: £1,258,000). The small decrease reflects a slightly lower publications spend following the significant publications of 2012-13 and the need to reduce costs with falling core grant in aid funding;
- (g) Security expenditure in 2013-14 was £1,239,000 (2012-13: £1,248,000). 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) amounted to £958,000 (2012-13: £1,192,000) and was in line with expectations, with savings made by improved procurement arrangements and energy efficiency measures;
- (i) No grants were made in the year (2012-13: £170,000 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 2014 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 8a to the financial statements. A summary of the key movements are as follows:

- The cost of freehold Land and Buildings were re-valued by reference to appropriate indices at 31 March 2014 down to £36,709,000. This contributed to an overall fixed assets revaluation decrease of £131,000 in 2013-14;
- Total additions during the year amounted to £2,563,000, which primarily related to capital expenditure on the gallery refurbishments;
- The Collection's depreciation charge for the year is £858,000. The building is depreciated over an expected remaining life of 92 years. It is, nevertheless, the Trustees' intention to continue to maintain and improve Hertford House, subject to the availability of adequate funding.

Payment of creditors

During 2013-14 the Wallace Collection paid 92% of undisputed creditors within 30 days of receipt of an invoice (2012-13: 85%).

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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:

		2013-14	2012-13
Key Performance Indicators:			
	Number of visits to the Museum	415,469	377,756
	Charitable giving (fundraising) (£)	3,485,000	2,052,000
Other Performance Indicators:			
Access			
	Number of unique website visits	398,814	378,755
Audience Profile			
	Number of visits by children under 16	28,078	25,011
	Number of overseas visits	166,188	143,547
Learning			
	Number of facilitated and self-directed visits to the Museum by visitors under 18 in formal education.	13,765	12,826
	Number of instances of visitors under 18 participating in on site organised activities.	14,883	12,202
Visitor satisfaction			
	% of visitors who would recommend a visit	96	98
Self generated income			
	Trading income (net profit) (£)	621,001	485,491

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 2014-15 in line with the goals of the 10 Year Plan.

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 2013-14. The audit fee in respect of this work was £23,600. 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. Other 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.

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Data Handling

The Wallace Collection has suffered no protected personal data incident during 2013-14 or prior years and has made no such report to the Information Commissioner's office.

Sickness Absence

Sickness absence accounted for 3.3% of all staff time during 2013-14 (2012-13: 4.6%), or 8.5 days per staff member (2012-13: 11.6 days), however this includes those staff members off on long-term sick leave. When these are excluded, the remaining staff absence accounted for 2.2% of staff time (2012-13: 2.3%), which equates to 5.4 days per staff member (2012-13: 5.7 days).

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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 (2012-13: £Nil). The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team:

Single figure of total remuneration	Salary 2013/14 (2012/13) £'000	Performance related pay and bonuses 2013/14 (2012/13) £'000	Benefits in kind (to nearest £100) (2012/13)	Pension benefits ¹ (2012/13) £'000	2013/14 TOTAL £'000	2012/13 TOTAL £'000
Dr Christoph Vogtherr <i>Director</i>	85-90 (85-90)	10-15 (5-10)	– (–)	36 (36)	130-135	130-135
Clare O'Brien <i>Director of Public Engagement</i> (until 15 December 2013)	45-50 Full year equivalent: 60-65 (60-65)	0-5 (–)	– (–)	5 (17)	50-55 Full year equivalent: 70-75	80-85
Derek Purnell <i>Director of Public Engagement</i> (from 2 February 2014)	5-10 Full year equivalent: 55-60 (–)	– (–)	– (–)	– (–)	5-10 Full year equivalent: 55-60	–
Jeremy Warren <i>Director of Collections</i>	60-65 (60-65)	– (–)	– (–)	13 (35)	75-80	95-100
Philip Walsh <i>Director of Finance and Operations</i>	60-65 (60-65)	– (0-5)	– (–)	13 (25)	75-80	90-95

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

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Pension benefits	Real increase in pension and related lump sum at pension age £'000	Accrued pension at pension age at 31/3/14 and related lump sum £'000	Cash Equivalent Transfer Value at 31/3/13 £'000	Cash Equivalent Transfer Value at 31/3/14 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Dr Christoph Vogther <i>Director</i>	0-2.5	10-15	94	125	17	–
Clare O'Brien <i>Director of Public Engagement</i> (until 15 December 2013)	0-2.5 plus 0-2.5 lump sum	5-10 plus 25-30 lump sum	167	179	5	–
Derek Purnell <i>Director of Public Engagement</i> (from 2 February 2014)	–	–	–	–	–	1,500
Jeremy Warren <i>Director of Collections</i>	0-2.5 less 0-2.5 lump sum	25-30 plus 40-45 lump sum	520	567	12	–
Philip Walsh <i>Director of Finance and Operations</i>	0-2.5	5-10	78	91	4	–

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 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.

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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 (2012-13: £Nil).

All of the Senior Management Team, with the exception of Derek Purnell, were members of the Principal Civil Service Pension Scheme as at 31 March 2014 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 £95-100k (2012-13: £90-95k). This was 5.1 times the median remuneration of the workforce (2012-13: 4.9 times). The median total remuneration of the workforce in the current financial year was £18,952 (2012-13: £18,933).

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 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).

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Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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.

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 2014

.....
Sir John Ritblat
Chairman

8 July 2014

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Annex A – Trustees

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

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

Board Member	Appointed	Further notes	Attendance
Sir John Ritblat	August 2003	Chairman from January 2005	4/4
Adrian Sassoon	August 2007	–	2/4
Dr Ashok Roy	January 2013	–	3/4
The Duke of Devonshire CBE	August 2007	–	3/4
Professor Frances Corner OBE*	September 2009	–	3/4 (3/4)
Sir Hugh Roberts GCVO, FSA	January 2013	–	4/4
Jagdip Jagpal	August 2007	–	2/4
Professor Jasper Conran OBE	August 2007	–	1/4
Jennifer Eady QC +	January 2013	–	4/4 (1/1)
Jessica Pulay *	January 2013	–	4/4 (3/4)
Kate de Rothschild Agius +	January 2013	–	4/4 (1/1)
Rupert Hambro	January 2013	–	4/4
Timothy Schroder	January 2013	–	4/4
Other Trustees who served during the year:			
Dr Richard Dorment	July 2003	Until 14 July 2013	2/2
Denise Lewis *	September 2009	Until 13 September 2013	2/2 (2/2)

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

+ Denotes observer at 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) during the year were:

Dr. Christoph Vogtherr	– Director
Mr Jeremy Warren FSA	– Director of Collections and Academic
Mr Philip Walsh FCA	– Director of Finance and Operations
Mr Derek Purnell	– Director of Public Engagement from 2 February 2014
Ms Clare O’Brien	– Director of Public Engagement to 15 December 2013

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

Sir John Ritblat

Dr Christoph Vogtherr

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
26 Red Lion Square
London
WC1R 4AG

Annex B - Wallace Collection Supporters 2013-14

Benefactors

Hertford Circle

Mr Alex Bouzari
M. Michel and Mme. Hélène David-Weill
Mrs Andrée Shore

And all those who wish to remain
anonymous

Seymour-Conway Group

Ms Nada Bayoud
Mrs James Brice
Ms Miel de Botton
Mrs Kate de Rothschild Agius
The Duke of Devonshire KCVO, CBE, DL
Dame Vivien Duffield DBE
The Hon Simon Eccles
Mr George Farha and Ms Suha Hourani
Mrs Dounia Nadar
Mrs Pamela Roditi
Mr Adrian Sassoon
Mrs Carolyn Townsend
Mr Jack Verhoeven
Mr and Mrs Arend Versteegh

And all those who wish to remain
anonymous

Patrons

Lady Alexander of Weedon
Mrs Catherine Armitage
Mr and Mrs Peter Cadbury
Mr Oliver Colman
Mrs Cynthia Colman
Mrs Rima Connelly
Mr Richard Dorment
Mr and Mrs Nicholas Eeley
Lt. Cdr. Paul Fletcher
Mr Sam Fogg
Mrs Joscelyn Fox
Mme Alice Goldet
Mr and Mrs Andrew Graham
Nancy L. and William P. Hallman, Jr
Mr and Mrs Rupert Hambro

Mrs Pauline Heerema
Mrs Katrin Henkel
Lady Heseltine
Ms Joanna Hewitt
Mr Hugh Hudson-Davies
Mr Bernard Hunter
Mr and Mrs Russell Jacobs
Mr and Mrs James Kirkman
Mr David Kogan
Mr and Mrs Henry Kravis
Mr Norman A. Kurland and Ms Deborah A.
David
Mr and Mrs Mark Loveday
Mr Richard Mansell-Jones
Mr and Mrs Jim Norling
Mr and Mrs Christopher North
Mr John and Mrs Jean Northover
Mrs Roslyn Packer, AO
Mr and Mrs Daniel Peltz
The Lord and Lady Phillimore
Mrs Elizabeth Price
Mr Charles Pridgeon
Jessica Pulay
Anne Qaimmaqami
Mr Broocks Robertson
Sir David and Lady Sieff
Mr & Mrs Nick Silver
Dr Katrin Verclas
Mr Bruno Wang
Mr and Mrs Alan Warner

And all those who wish to remain
anonymous

Companions

The Rt Hon Viscountess Bridgeman,
The Bridgeman Art Library
Mr Charles Cator
The Marquess of Cholmondeley
The Hon Gilpatrick Devlin
Mr Giles Ellwood
Mr Christophe Gailly de Taurines
Mr and Mrs John Glasswell
Mrs Alice Hodler

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Mr Michael MacCallan
Mr and Mrs Whitney MacMillan
In memory of the late A V B Nick Norman
Mr Matthew Olley
Lord and Lady Phillips
Mr and Mrs Rainer Zietz
Mr Timothy Schroder
Mr Torsten Thiele
Dr Lady Tunnicliffe
Mrs Jane Wainwright
Ms Patricia Wengraf

And all those who wish to remain
anonymous

Trusts, Foundations & Individuals

Mr and Mrs Richard Aylmer
Mrs Michele Beiny Harkins
Ms Susan E. B. Bloomberg
Jonathan and Marion Davies
Baron David de Rothschild
Baron Eric de Rothschild
Mr and Mrs Nicholas Eeley
Mrs Katrin Henkel
Mr Daniel Katz, MBE
Mr and Mrs Whitney MacMillan
Dr Jennifer Montagu
Sir John Ritblat and Family
Ms Lily Safra
Mrs Coral Samuel CBE
Mr Adrian Sassoon
TEFAF Museum Restoration Fund
The BAND Trust
The Blunt Trust
The Calouste Gulbenkian Foundation
The Coutts Charitable Foundation
The Garfield Weston Foundation
The John Lyon's Charity
The Jonathan Ruffer Curatorial Grants
programme (The Art Fund)
The Kirby Laing Foundation
The Leverhulme Trust
The Monument Trust
The NADFAS
The NJT Foundation

The Ofenheim Charitable Trust
The Paul Mellon Centre for Studies in
British Art
The Radcliffe Trust
The Schroder Charity Trust
The William Arthur Rudd Memorial Trust
Dr Katrin Verclas

And all those who wish to remain
anonymous

Corporate Members

Bank of London and the Middle East
Boston Consulting Group
Colliers International
Delancey
Total

Other generous supporters

Department for Culture, Media and Sport
Farrow and Ball
Hertford House Trust
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 and 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 2014

.....
Sir John Ritblat
Chairman

8 July 2014

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

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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, 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 are happy with the quality and layout of these reports and provide feedback to ensure that they remain an excellent source of information and data.

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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 Public Engagement 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 2014 there were thirteen 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 except in one instance where the code requires that Trustees

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review performance on an annual basis. The Board undertook such a review in January 2013 and July 2014, and feels that this is sufficient for a body of this size.

Achievements and effectiveness of the Board

The key achievement of the Board during 2013-14 has been working closely with the Director on the future strategic direction of the Collection and enabling him to deliver the Ten Year Plan. The Museum now has clear priorities and a new sense of direction to guide decisions and help raise funds. The Ten Year Plan has enabled planning, helped motivation and allowed the Museum to communicate its aims and ideals to the staff, public, visitors, the press, supporters and benefactors.

In addition, the Board has been concerned with setting up the process to appoint a new Chairman at the end of 2014.

During 2013-14, 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:

- Reviewed and approved the Ten Year Plan;
- Agreed that satisfactory progress has been made against the Corporate Plan 2011-14;
- Agreed the 2014-15 budget;
- Reviewed, via the Audit Committee, the Collection's financial management and procedures;
- Received, reviewed and commented on departmental updates.

The Board regularly reviews its own effectiveness. Board members 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 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, which provided 'substantial assurance' over the controls in place, and agreed the Internal

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Audit plan for 2014-15 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.

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 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.

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The key risk priorities of the Wallace Collection in 2013-14 have been:

- Managing the impact of increasing visitor numbers whilst improving their understanding of the Collection;
- Managing the impact of the Gallery refurbishments and other capital projects;
- Planning for the future against a backdrop of 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 has improved its procedures for managing information risk with the implementation of a records management steering group and the introduction of an archives and records management policy. All office staff have been trained in the importance of good records management.

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 2014

.....
Sir John Ritblat
Chairman

8 July 2014

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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 2014 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 Trustees/Board, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 expenditure and income 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 expenditure and income 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.

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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 2014 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 returns adequate for my audit have not been received from branches not visited by my staff; 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.

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

9 July 2014

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Consolidated Statement of Financial Activities for the year ended 31 March 2014

	Notes	Unres- tricted Funds	Res- tricted Funds	Total 2013/14	Total 2012/13
		£000	£000	£000	£000
Incoming resources					
Incoming Resources from generated funds					
Voluntary Income					
Donations and similar resources	2	315	3,170	3,485	2,052
Grant-in-Aid	2	2,894	100	2,994	2,946
Activities for generating funds					
Trading income	14	1,617	–	1,617	1,473
Investment income	4	2	1	3	2
Incoming resources from charitable activities					
	3	58	–	58	54
<i>Total incoming resources</i>		4,886	3,271	8,157	6,527
Resources expended					
Costs of generating funds					
Costs of generating voluntary income					
Fundraising expenditure		130	–	130	119
Marketing and design expenditure		262	–	262	260
Trading: cost of goods sold and other costs	14	860	–	860	880
Charitable activities					
Conservation expenditure	5	225	72	297	290
Collections expenditure		873	332	1,205	1,258
Security expenditure		1,239	–	1,239	1,248
Building and maintenance expenditure		1,123	690	1,813	2,234
Governance Costs	5	40	12	52	43
<i>Total resources expended</i>		4,752	1,106	5,858	6,332

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	Notes	Unres- tricted Funds £000	Res- tricted Funds £000	Total 2013/14 £000	Total 2012/13 £000
Net incoming resources before transfers	7	134	2,165	2,299	195
Transfers					
Gross transfers between funds	12	(107)	107	–	–
Net incoming resources before other recognised gains and losses		27	2,272	2,299	195
(Loss)/Gain on revaluation of fixed assets for charity's own use	12	(29)	(102)	(131)	583
Net movement in funds		(2)	2,170	2,168	778
Fund Balances Brought Forward at 1 April 2013		4,645	35,757	40,402	39,624
Fund Balances Carried Forward at 31 March 2014	12	4,643	37,927	42,570	40,402

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 45-66 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2013-14

Consolidated Balance Sheet at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8(a)	41,073	39,568
Heritage assets	8(b)	82	–
		<u>41,155</u>	<u>39,568</u>
Current assets			
Stock		369	380
Debtors	9	779	701
Cash at bank and in hand	13	957	706
		<u>2,105</u>	<u>1,787</u>
Creditors: amounts falling due within one year	10	<u>(690)</u>	<u>(953)</u>
Net current assets		1,415	834
Net assets	11	<u>42,570</u>	<u>40,402</u>
Represented by:			
Restricted income funds	12	36,475	34,203
Restricted revaluation reserve	12	1,452	1,554
Unrestricted funds:			
Designated funds	12	3,518	3,688
Unrestricted revaluation reserve	12	370	399
General funds	12	755	558
Total funds	12	<u>42,570</u>	<u>40,402</u>

..... Sir John Ritblat – Chairman 8 July 2014

..... Dr. Christoph Vogtherr – Director
and Accounting Officer 8 July 2014

The notes on pages 45-66 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2013-14

The Collection Balance Sheet at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investment	14	0	0
Tangible assets	8(a)	41,062	39,552
Heritage assets	8(b)	82	–
		<u>41,144</u>	<u>39,552</u>
Current assets			
Stock		204	216
Debtors	9	1,367	1,177
Cash at bank and in hand		325	171
		<u>1,896</u>	<u>1,564</u>
Creditors: amounts falling due within one year	10	<u>(497)</u>	<u>(744)</u>
Net current assets		1,399	820
Net assets		<u>42,543</u>	<u>40,372</u>
Represented by:			
Restricted income funds		36,475	34,203
Restricted revaluation reserve		1,452	1,554
Unrestricted funds:			
Designated funds		3,507	3,674
Unrestricted revaluation reserve		370	399
General funds		739	542
Total funds		<u>42,543</u>	<u>40,372</u>

..... Sir John Ritblat – Chairman 8 July 2014

..... Dr. Christoph Vogtherr – Director
and Accounting Officer 8 July 2014

The notes on pages 45-66 form part of these financial statements.

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Consolidated Cash Flow Statement for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	13 a)	2,824	985
Returns on investment and servicing of finance	13 b)	3	2
Capital expenditure and financial investment	13 b)	<u>(2,576)</u>	<u>(991)</u>
Increase/(Decrease) in cash in the year	13 c)	<u>251</u>	<u>(4)</u>

The notes on pages 45-66 form part of these financial statements.

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Notes to the financial statements for the year ended 31 March 2014

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, this has been a key part of the 10 Year Plan outlined in the Review of the Year on p.7.

b) Incoming resources

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

Grants for fixed assets are recognised in the Statement of Financial Activities 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.

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

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

c) Resources Expended

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

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

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

Where expenditure relates to future exhibitions the cost are deferred and recognised in the year the exhibition opens.

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.

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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:

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 which is depreciated over its expected remaining life of 7 years)
Fixtures and fittings	– over 4 years (electrical equipment) 10 years (other fixtures and fittings) and 25 years (refurbishment projects).

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 5,637 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

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

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.

Additions with a cost price in excess of £2,000 to the HHHC are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Such items are not depreciated as they are deemed to have indefinite lives; items are not revalued as a matter of course unless significantly impaired. To date no impairments have occurred of capitalised items.

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

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Documentation Officers 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.

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

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 the Collection as 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. The Wallace Collection is unable to identify its share of the underlying liabilities.

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

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intention of trading these. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method.

Financial Liabilities

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

Impairment of financial assets

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

D) 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.

The trading subsidiary, Hertford House Marketing Limited, donates its profit to the Wallace Collection at year end and so no tax is due on this.

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2. Voluntary Income

£2,994,000 (2012/13 £2,946,000) of Grant-in-Aid has been received from the Department for Culture, Media and Sport during the year, of which £285,000 has been used to fund capital improvements (2012/13 £272,000) and £100,000 for the IT capital project, 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).

	2013/14	2013/14	2013/14	2012/13
	Unrestricted	Restricted	TOTAL	TOTAL
	£000	£000	£000	£000
Donations	315	240	555	546
Heritage Lottery Fund – Community	–	–	–	93
Heritage Lottery Fund – Capital	–	–	–	66
Other Capital Income	–	2,930	2,930	1,247
Legacies	–	–	–	100
	<u>315</u>	<u>3,170</u>	<u>3,485</u>	<u>2,052</u>

3. Incoming resources from charitable activities

	2013/14	2012/13
	Unrestricted	
	£000	£000
Study days and Art activities	21	33
Tours	15	14
Miscellaneous other income	22	7
	<u>58</u>	<u>54</u>

4. Investment income

	2013/14	2012/13
	£000	£000
Interest receivable	3	2

Interest is earned on short term cash deposits.

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5. Total resources expended

a)	Staff costs £000	Other costs £000	Depre- ciation £000	Grants £000	2013/14 £000	2012/13 £000
Costs of generating funds						
Fundraising	102	28	–	–	130	119
Marketing and Design	87	175	–	–	262	260
Trading	544	313	3	–	860	880
Charitable activities						
Conservation	197	100	–	–	297	290
Collections	720	485	–	–	1,205	1,258
Security	1,152	87	–	–	1,239	1,248
Building and Maintenance	182	776	855	–	1,813	2,234
Governance	–	52	–	–	52	43
	2,984	2,016	858	–	5,858	6,332

No grant was paid in 2013-14 (2012/13: £170,000 to the Hertford House Trust, restricted for furtherance of the Wallace Collection's charitable objectives, in particular the maintenance of Hertford House).

Included within other costs above is £3,000 in relation to procurement consultancy, £4,000 in relation to HR advice and consultancy and £10,000 in relation to marketing & communications consultancy.

b) Governance costs

Governance costs include:

	2013/14 £000	2012/13 £000
Trustee Board costs	12	12
Legal Fees	4	1
External Audit Fees	30	24
Internal Audit Fees	6	6
	52	43

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c) Support Costs Breakdown by Activity

Support Costs	Fundraising	Marketing & Design	Trading	Conservation	Collections	Security	Building & Maintenance	Total 2013/14	Total 2012/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Director's Office	24	16	16	16	66	9	16	163	170
Finance	4	9	28	10	43	44	67	205	231
Human Resources	1	2	10	4	13	34	2	66	59
Office support and supplies	4	9	10	5	13	3	2	46	49
	33	36	64	35	135	90	87	480	509

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 undertaken directly	Support costs	Grants	Total 2013/14	Total 2012/13
	£000	£000	£000	£000	£000
Fundraising expenditure	97	33	–	130	119
Marketing and design expenditure	226	36	–	262	260
Trading expenditure	796	64	–	860	880
Conservation expenditure	262	35	–	297	290
Collections expenditure	1,070	135	–	1,205	1,258
Security expenditure	1,149	90	–	1,239	1,248
Building and maintenance expenditure	1,726	87	–	1,813	2,234
	5,326	480	–	5,806	6,289

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6. Staff costs

a) Staff	2013/14	2012/13
	£000	£000
Wages and salaries	2,421	2,440
Social security costs	178	181
Pension costs	370	376
	<hr/>	<hr/>
	2,969	2,997
Agency staff costs	15	24
	<hr/>	<hr/>
	2,984	3,021

The above does not include £73,113 relating to staff costs that were capitalised in year (2012-13 £58,165). 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:

	2013/14	2012/13
£60,001 – £70,000	2	3
£90,001 – £100,000	1	1
	<hr/>	<hr/>
	3	4

b) Pension Costs

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

For 2013/14, employers' contributions of £344,337 were payable to the PCSPS (2012/13: £351,393 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 2013/14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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

Employers' contributions of £34,628 (2012/13: £31,582) 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

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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 £3,494 (2012/13: £2,762). 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	2013/14 Total	2012/13 Total
Director's Office	0.8	–	1.0	1.8	2.0
Conservation	4.8	–	–	4.8	5.6
Collections	16.1	–	1.0	17.1	18.2
Security	42.5	0.8	–	43.3	44.4
Building and Maintenance	2.8	–	–	2.8	3.0
Fundraising	1.3	–	0.5	1.8	2.0
Marketing & Design	2.0	–	0.5	2.5	1.8
Trading	12.6	–	–	12.6	12.3
Finance and HR	3.7	–	1.0	4.7	4.6
	86.6	0.8	4.0	91.4	93.9

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 2 full time equivalent staff for the year as a whole (2012-13: 1.5 FTE).

d) Trustees

The Trustees neither received nor waived any emoluments during the year (2012-13: £nil). Expenses reimbursed to two Trustees (2012-13: none) for travel, subsistence and sundries amounted to £499 (2012-13: £nil). Where 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.

7. Net incoming resources

Net incoming resources are stated after charging:

	2013/14 £000	2012/13 £000
Auditors' remuneration:		
NAO audit fee	24	18
Trading subsidiary audit fee	6	6
Internal audit fees	6	6
Operating lease rentals for hire of plant and machinery	10	11

All external auditors' remuneration was for audit work.

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8(a). Tangible fixed assets

Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equip- ment £000	Assets Under Constru- ction £000	Total £000
Cost/valuation					
Balance at 1 April 2013	36,889	4,640	654	865	43,048
Additions	17	10	4	2,532	2,563
Transfers	–	(69)	–	–	(69)
Disposals	–	–	(21)	–	(21)
Revaluation	(197)	73	–	–	(124)
Balance at 31 March 2014	36,709	4,654	637	3,397	45,397
Depreciation					
Balance at 1 April 2013	1,288	1,705	487	–	3,480
Charge for the year	645	178	35	–	858
Disposals	–	–	(21)	–	(21)
Revaluation	(10)	17	–	–	7
Balance at 31 March 2014	1,923	1,900	501	–	4,324
Net book value					
Balance at 31 March 2014	34,786	2,754	136	3,397	41,073
Balance at 31 March 2013	35,601	2,935	167	865	39,568

The net book value at 31 March 2014 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equip- ment £000	Assets Under Constru- ction £000	Total £000
Charitable purposes	34,786	2,746	133	3,397	41,062
Trading Activities	–	8	3	–	11
	34,786	2,754	136	3,397	41,073

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The Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equip- ment £000	Assets Under Constru- ction £000	Total £000
Cost/valuation					
Balance at 1 April 2013	36,889	4,623	600	865	42,977
Additions	17	10	4	2,532	2,563
Transfers	–	(69)	–	–	(69)
Revaluation	(197)	73	–	–	(124)
Balance at 31 March 2014	36,709	4,637	604	3,397	45,347
Depreciation					
Balance at 1 April 2013	1,288	1,698	439	–	3,425
Charge for the year	645	176	32	–	853
Revaluation	(10)	17	–	–	7
Balance at 31 March 2014	1,923	1,891	471	–	4,285
Net book value					
Balance at 31 March 2014	34,786	2,746	133	3,397	41,062
Balance at 31 March 2013	35,601	2,925	161	865	39,552

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.

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8(b). Heritage Assets

	2013/14 £000	2012/13 £000
Opening balance b/fwd		
Donated objects (shown at valuation)	–	–
Acquisitions (shown at cost)	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
Donations of objects by gift or bequest	–	–
Acquisitions	13	–
Total Additions	<hr/>	<hr/>
	13	–
	<hr/>	<hr/>
Transfers from fixtures and fittings	69	–
Closing balance c/fwd		
Donated objects (shown at valuation)	–	–
Acquisitions (shown at cost)	82	–
	<hr/>	<hr/>
	82	–
	<hr/>	<hr/>

Further information on the Museum's heritage assets

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.

These can include prints and rare books, to date these have always been under the Collection's capitalisation threshold.

However in 2013-14 the opportunity arose to acquire the signet ring of Emilien, comte de Nieuwerkerke (1812–1892) funded by the Art Fund, and a portrait bust of Richard Wallace by Charles-Auguste Lebourg, funded by the Chairman, Sir John Ritblat. These are shown in the additions above together with other items, acquired from Nieuwerkerke's descendants, including a fine oil painting of the count in his bedroom in the Louvre by Charles Giraud, a pewter statuette of Nieuwerkerke by Jean-August Barre and a crystal goblet bearing Nieuwerkerke's monogram.

The transfer from fixtures and fittings represents five antique frames reclassified as heritage assets previously purchased for the HHHC.

Further information on the preservation and management of the HHHC is contained in note 1(g).

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9. Debtors

	Group 2014 £000	Group 2013 £000	Collection 2014 £000	Collection 2013 £000
Trade debtors	233	157	47	22
Other debtors	15	20	15	20
VAT debtors	195	81	252	138
Amount due from subsidiary	–	–	727	561
Prepayments and accrued income	336	443	326	436
	779	701	1,367	1,177

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

The debtors include £195,401 (2013: £81,177) 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

	Group 2014 £000	Group 2013 £000	Collection 2014 £000	Collection 2013 £000
Trade creditors	239	355	228	338
Taxation and Social Security	93	95	93	95
Accruals	97	257	92	251
Deferred Income	256	235	79	49
Other Creditors	5	11	5	11
	690	953	497	744

The creditors include £92,784 (2013: £94,573) 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:

	Group 2014 £000	Group 2013 £000	Collection 2014 £000	Collection 2013 £000
Deferred income at 1 April	235	275	49	41
Released in year	(235)	(275)	(49)	(41)
Deferred in year	256	235	79	49
Deferred income at 31 March	256	235	79	49

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11. Analysis of net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total £000
Fund balances at 31 March 2014 are represented by:			
Fixed assets	3,888	37,267	41,155
Current assets	1,445	660	2,105
Current liabilities	(690)	–	(690)
Total net assets	4,643	37,927	42,570

There are no unrealised gains included above.

12. Consolidated statement of funds

	Balance at 1 April 2013 £000	Income £000	Expen- diture £000	Reval- uation £000	Trans- fers £000	Balance at 31 March 2014 £000
Unrestricted funds						
Designated funds:						
Capital projects fund (a)	3,688	31	(195)	–	(18)	3,506
Revaluation reserve	399	–	–	(29)	–	370
Heritage Assets (b)	–	6	–	–	6	12
General funds	558	4,849	(4,557)	–	(95)	755
Total unrestricted funds	4,645	4,886	(4,752)	(29)	(107)	4,643
Restricted income funds						
Capital reserve (c)	33,926	–	(663)	–	2,481	35,744
Revaluation reserve	1,554	–	–	(102)	–	1,452
Heritage Assets (d)	–	7	–	–	63	70
Conservation projects (e)	48	65	(72)	–	–	41
Education fund (f)	4	109	(111)	–	–	2
Infrastructure fund (g)	–	122	(12)	–	(98)	12
Publication fund (h)	88	–	(74)	–	–	14
Archive project (i)	77	14	(21)	–	–	70
Curatorial projects (j)	–	11	(12)	–	1	–
Exhibitions fund (k)	–	20	(114)	–	94	–
Gallery refurbishment (l)	57	2,908	(15)	–	(2,434)	516
Chairman's fund (m)	3	15	(12)	–	–	6
Total restricted funds	35,757	3,271	(1,106)	(102)	107	37,927
Total funds	40,402	8,157	(5,858)	(131)	–	42,570

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- a) The Capital projects fund comprises the Collection's fixed assets purchased using unrestricted funds.
- b) The Heritage assets fund represents the value of Heritage assets held by the Hertford House Historic Collection which have been purchased using unrestricted funds.
- c) The Capital reserve fund represents the net book value of the property and other fixed assets purchased from restricted funds.
- d) The Heritage assets restricted fund represents the value of Heritage assets held by the Hertford House Historic Collection which have been purchased using restricted funds given for this purpose.
- e) 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.
- f) The Education fund assists with the cost of the Collection's education department.
- g) The Infrastructure fund represents those restricted funds specifically raised to fund infrastructure projects. The transfer relates to the restricted element of the works under construction during the year, the most significant element of which is the IT Virtualisation project.
- h) The Publication fund reflects donations towards the Collection's scholarship activities.
- i) The Archive fund was set up by a donation in 2005/06 in order to facilitate the cataloguing and research of the Collection archives.
- j) 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.
- k) 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.
- l) 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.
- m) 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.

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13. Cash flow information

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

	Notes	2013/14 £000	2012/13 £000
Net incoming resources for the year		2,299	195
Depreciation	8	858	876
Investment income received	4	(3)	(2)
Decrease in stock		11	65
(Increase) in debtors	9	(78)	(323)
(Decrease)/increase in creditors	10	(263)	174
Net cash inflow from operating activities		2,824	985

b) Analysis of cash flows

		2013/14 £000	2012/13 £000
Returns on investments and servicing of finance			
Interest received	4	3	2
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	8	2,576	991

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

	2013/14 £000	2012/13 £000
Increase/(Decrease) in cash in the year	251	(4)
Movement in net funds in the year	251	(4)
Net funds at 1 April (note 13(d))	706	710
Net funds at 31 March (note 13(d))	957	706

d) Analysis of net funds

	1-Apr 2013 £000	Cash Flow £000	31-Mar 2014 £000
Cash held in commercial banks and in hand	706	251	957

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14. Hertford House Marketing Limited

The Collection owns the whole of the issued share capital of 2 issued shares of £1 nominal value, of Hertford House Marketing Limited, a company registered in England & Wales (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:

	2013/14 £000	2012/13 £000
Turnover	1,617	1,473
Cost of Sales	(280)	(265)
Gross profit	1,337	1,208
Administrative Expenses	(720)	(721)
Operating Profit	617	487
Interest Receivable	2	1
Contribution to The Wallace Collection	(621)	(485)
Net (Loss)/profit after Tax	(2)	3
Tax	–	–
Net (Loss)/profit after Tax	(2)	3
Reconciliation to SoFA:		
Cost of Sales	280	265
Administrative Expenses	720	721
less: Audit fee included in Governance	(6)	(6)
less: Intercompany sales	(134)	(100)
Per Consolidated SoFA	860	880

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Balance sheet:

	2014	2013
	£000	£000
Tangible Fixed Assets	11	15
Current Assets	990	839
Current Liabilities	(976)	(827)
Net Assets	<u>25</u>	<u>27</u>
	2014	2013
	£000	£000
Share Capital	–	–
Reserves	25	27
Net Assets	<u>25</u>	<u>27</u>

15. Financial commitments

At 31 March 2014 the Collection had annual commitments under non-cancellable operating leases for equipment as follows:

Operating leases expiring within:

	2014	2013
	£000	£000
In under one year	–	–
In the second to fifth years inclusive	10	11
Over five years	–	–
	<u>10</u>	<u>11</u>

Hertford House Marketing Limited has no such financial commitments.

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.

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Liquidity Risk

Approximately 37% (2012-13: 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 £2,653 (2012-13 – £2,066) is generated from interest earned, the Museum is not exposed to significant interest rate risk.

17. Capital commitments

At 31 March 2014 capital expenditure commitments were as follows:

	2014	2013
	£000	£000
Authorised by the Trustees and contracted for	716	2,832

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 the Monument Trust.

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18. Related party transactions

The Wallace Collection is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport (DCMS). Other bodies sponsored by DCMS are regarded as related parties, as are organisations in which Trustees or key members of management (or their connected persons) have an interest. During the year, the Wallace Collection only entered into transactions with related parties under normal business terms.

Relationship	Related Party	Donations/ Grants Received/ (Made) £'000	Amount Sold £'000	Amount Purchased £'000	Year end balance debtors £'000	Year end balance (creditors) £'000
DCMS funded bodies:						
	British Library	–	–	2	–	–
	Imperial War Museum	–	–	1	–	–
	National Gallery	–	–	3	–	–
	Natural History Museum	–	–	1	–	(1)
	Tate	–	–	7	–	–
	V&A	–	–	2	–	–
The Chairman and Director are trustees*:						
	The Hertford House Trust	2,907/(Nil)	40	24	40	(24)
A Trustee is Director:						
	London College of Fashion	–	1	–	–	–

* NB. both with reduced voting rights

The Chairman generously supports the Collection through the 'Chairman's Fund', the details of which are shown in note 12, and in addition donated funds for the purchase of an item for the HHHC (see note 8b).

No other Trustees or staff member obtained any personal benefit from these transactions and no trustee or staff member had any other material transactions with the Museum in the year. No trustees held any significant interests which would conflict with their management responsibilities of the Museum.

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 2014. (31 March 2013: None).

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