

The Wallace Collection
Annual Report and Accounts 2014–2015

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The Wallace Collection Annual Report and Accounts 2014–2015

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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, 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, African and Asian 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 internationally outstanding. 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 in these areas between 1700 and 1900; and
- Maintain Hertford House and its services.

This was the first year of 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	1,342
Oriental Arms and Armour	1,057
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, Education Studio and Conservation Gallery on the lower ground floor.

The Old Master paintings are from different European schools (including works by Titian, Rubens, Rembrandt, Frans Hals' *The Laughing Cavalier*, works by Reynolds, Watteau, Boucher and Fragonard's *The Swing*), furniture, porcelain and goldsmiths' work, including many pieces from the royal chateaux, represent one of the great collections of *ancien régime* art in the world. The arms and armour, and medieval and Renaissance works of art are displayed in six ground-floor galleries, the nineteenth-century paintings in two galleries on the first floor 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 internationally.

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, 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 another year of record visitor numbers in 2014–15 with just under 428,000 visitors through the year, around 13,000 more than 2013–14. The re-opening of the Great Gallery in September, the opening of the Reynolds exhibition and refurbishment of the restaurant have all had a positive effect on visitor numbers during the year.

The Great Gallery refurbishment, which was finished in the autumn of 2014, has been critically acclaimed and is integral to the successful launch of the Ten Year Plan. The Ten Year Plan established 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.

Director's Office

The Fundraising Department

The past year has been a very successful and exciting one for Fundraising. One of the main goals of the department was to increase the number of donors engaging with the museum to create a wider base of supporters. To that end, the Collection now has 99 active Benefactors (an increase of 22% since the last financial year) and 87 members of a new Friends Scheme, which was launched in December of this year. Visitors to the Collection have also supported generously, giving more to the museum through the donation boxes than any previous year.

Finally, the Collection celebrated the opening of the Great Gallery with a fundraising gala, which was organised by the International Council. The Gala raised more than £200,000 for the Collection and was the most successful fundraising event at the museum to date.

As always, The Collection is extremely grateful to all its supporters for their contributions.

The Curatorial and Collections Directorate

The Directorate is responsible for championing the Ten Year Plan objective that the Wallace Collection will be a leading centre for French eighteenth-century art and for European princely arms and armour.

Scholarship and Collection

The financial year 2014–15 has seen vital objectives completed in relation to the Ten Year Plan. In September, Carys Lewis was appointed as Archivist and Records Manager. This post will enable the museum to begin to tackle its cataloguing backlog (beginning with the Claude Blair Archive, a vital resource for European princely arms and armour), enable our archival collections to be made publicly available, and ensure that our institutional records are appropriately archived and comply with current legislation.

This year also saw the launch of two new partnerships with higher education establishments. In January, the Wallace Collection's module 'Text, Image, Object' for the University of Oxford's MA in Enlightenment Studies also began. The aim of the module is to introduce French eighteenth-century art to students who have background knowledge of the period and

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language, but are not necessarily art historians. On 8–9 April we ran the first of what will become an annual study programme for the Université Lille III, History of Art MA students, involving two intensive days of lectures and seminars on French eighteenth-century art.

The exhibition *Joshua Reynolds: Experiments in Paint* opened in March to great acclaim and provided a hugely important opportunity for us to showcase the results of a significant research project undertaken by the Wallace Collection to the wider public.

Improvements have been made throughout the year to enhance the Collection's online resources. In July, the archives catalogue was launched on Wallace Live with two archive collections, the papers of Herbert Bier and the papers of Sir Francis Watson. Over the course of the year, progress was also made to improve the quality of online object records, adding commentary texts, images and further reading. Enhancing our digital records will be a focus of activity for the Curatorial Department in 2015–16.

Important research was also undertaken this year by Harry Smith on behalf of the Wallace Collection on the economic history and income sources of the Hertford family from the 1st Marquess of Hertford to Sir Richard Wallace. This research, which has given us a new and in-depth understanding of the founders, will provide a reference point for future publications and also act as a resource for the development of information for our visitors, such as an introductory film to the museum.

In response to the recognised need to improve internal communication on research, the first 'Research in Progress' Study Morning was held on 8 October. Throughout the course of the morning short papers were presented by members of the Curatorial and Conservation departments on current research, including topics such as neutron analysis of ferrous metals, researching lost armour, XRF analysis of sculpture, provenance research on Oriental arms and armour and conservation discoveries on a Riesener secretaire. The morning provided an important opportunity to ensure that current research is communicated to staff and Guide Lecturers to ensure a greater awareness of current projects and develop opportunities for our research to be disseminated to our wider audiences.

The Curatorial Department

Over and above its core function of caring for the works of art, the department continued to be active in the area of scholarly research, for which the Wallace Collection has long been known. In line with the Ten Year Plan, three of the major projects in which we have been involved this year were either concerned with the French eighteenth century (the analysis of Watteau paintings on panel; the work of the gilt-bronze maker, Pierre Gouthière) or arms and armour (the Islamic, Indian and East Asian arms and armour project). All of these are intended to produce research which will lead to publications, exhibitions or redisplay of parts of the collection. In many instances the Curatorial Department collaborates with other institutional partners, and it works closely with conservation technicians, both in-house and external. Research continued on the sculpture collection, and the catalogue of Italian sculpture is scheduled to be published later in 2015. Publications in 2014–15 included contributions from curators in major journals, and a Wallace Collection publication, *Delicious Decadence. The Rediscovery of French eighteenth-century painting in the nineteenth century*, a compilation of the papers given at a conference organised by the Wallace Collection and the Musée du Louvre.

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The success of research-based activities and their ability to attract attention not only from the scholarly and specialist communities but also the general public was proved by the exhibition *Joshua Reynolds: Experiments in Paint*, which was the culmination of a five-year research project in collaboration with the National Gallery and the Paul Mellon Centre. The exhibition attracted more visitors than almost any other exhibition held at the Wallace Collection in recent times, and led to two publications. A smaller exhibition, *Collecting History: the Founders of the Wallace Collection*, shed light on the history of the collection and brought objects from the Hertford House Historic Collection to the attention of the public, often for the first time.

The museum regularly hosts specialist conferences and study days, in addition to organising its own such as ‘The Collector and his Circle’ and a two-day workshop held in July. The regular programme of lectures for the History of Collecting seminar programme continued, with ten interesting and well-attended papers by a mix of UK and international scholars. During the year, the Wallace Collection’s academic programme continued to develop at the post-graduate level, with a new partnership with the University of Oxford to provide a specialist module for the M.St. in Enlightenment Studies. This is in addition to the study programme on French eighteenth-century art provided for MA students at the Université Lille III and the Ecole du Louvre, and the French Eighteenth-Century Studies course run in conjunction with the Attingham Trust, which is aimed at curatorial professional development and which attracts museum professionals from around the world.

Perhaps the most important event for the department during the year, however, was the re-opening of the Great Gallery after nearly two years of closure. This involved a major re-hang of the Old Master paintings, and a re-display of the sculpture and furniture; the theme of networks and exchange between artists in the seventeenth century connects the paintings, which are of the Flemish, Dutch, Spanish, Italian and French schools. The public and critical response to the new display has been overwhelmingly positive, and we are delighted to have such a beautiful and environmentally effective gallery for our masterpieces. Various other galleries – including the West Room, the Billiard Room and the Boudoir – have also been subject to curatorial changes, and now benefit from more consistent groupings.

The Collection Services Department

In July the Wallace Collection launched its first online archive catalogue with the papers of Sir Francis Watson and the papers of Herbert Bier (<http://wallacelive.wallacecollection.org/eMuseumPlus>). These were the first archives to be professionally catalogued at the Wallace Collection and mark an important step forward both in ensuring effective public access to our archive material and in the development of the Wallace Collection Research Centre.

This year also saw the appointment of the Wallace Collection’s first Archivist and Records Manager, Carys Lewis, in September. As well as enabling us to reduce the cataloguing backlog, this role will be vital in ensuring that our institutional archives are preserved, managed and comply with current legislation. Since her appointment, Carys has added Collection level descriptions for all other collected archives and has ensured that these are made available through the Archives Hub (<http://archiveshub.ac.uk/>). This has raised awareness amongst researchers of the Wallace Collection’s archives and we have seen increased visitor figures as a result. An electronic archive has now also been created, file

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plans and retention schedules are being developed, and induction and training sessions implemented for staff.

It has also been a hugely positive year for the Picture Library, with record levels of income generation achieved. This success came primarily through the hosting of two major television programs, the London heats of Sky Arts' *Portrait Artist of the Year* and *Quizeum* for BBC2. Picture research was undertaken for a number of publications, including, amongst others, the re-print of *Masterpieces of European Arms and Armour*, the *Joshua Reynolds: Experiments in Paint* exhibition catalogue and the Wallace Collection's *Catalogue of Italian Sculpture*.

Progress has continued to be made in the cataloguing of our image collections with 1,000 glass-plate negatives catalogued and scanned. Photography for the catalogue of Italian sculpture was completed and the Oriental arms and armour photography project continued steadily.

Finally, the retrospective cataloguing of the Library's collections has progressed extremely well over the past year. In total, well over 2,000 publications have been catalogued. It is hoped that with the appointment of a temporary assistant cataloguer in the 2015–16 year, this backlog will be almost entirely eliminated by 2017, enabling our library collections to be made publicly available to our visitors in their entirety for the first time.

Exhibitions

Following the retirement of Stephen Duffy in May, responsibility for exhibition administration passed to the Collections Services Department. Three exhibitions were held this year, in May we saw the opening of the *Masterworks* exhibition. This temporary display enabled us to keep some of our most prized paintings on display during the refurbishment of the Great Gallery before being moved back in preparation for the September 2014 opening.

Following its closure, *Collecting History: The Founders of the Wallace Collection*, curated by Helen Jacobsen, Senior Curator and Curator of French 18th Century Decorative Arts, opened in September. This exhibition, formed primarily from material in the Hertford House Historic Collection, demonstrated how these acquisitions help illuminate the history of the collection and its founders. A particular highlight was the chance to showcase for the first time a selection of the Collection's satirical cartoons concerning the Prince Regent's obsessive passion for the 2nd Marchioness of Hertford.

Our final exhibition for 2014–15 was *Joshua Reynolds: Experiments in Paint*, which opened on 12 March. This latest exhibition, which featured nine loans, from the UK, EU and USA, alongside twelve of our own Reynolds paintings, built on the many discoveries made through the Reynolds Research Project, and revealed insights into Reynolds's radical manipulation of pigments, oils, glazes and varnishes, and his continual desire to rework and revise his pictures. The exhibition, co-curated by Lucy Davis, Curator of Pictures, Alexandra Gent, Paintings Conservator and Mark Hallett, Director of Studies at the Paul Mellon Centre for Studies in British Art, was a huge success for the Wallace Collection, receiving an extremely positive reception from the press and achieving over 30,000 visitors, making it one of the most successful exhibitions in the history of the Collection.

The Conservation Department

The Department has been fortunate this year to gain a new post, that of Assistant Conservator

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for Frames and Gilt-wood. Funded entirely by a very generous donation from a private source, this has resulted overall in a strengthening of the Department's remit and role in caring for the works of art in its charge. This year has seen significant treatment carried out on a number of picture frames, the most important being the rebuilding and restoration of the gilt frame for Thomas Lawrence's "Countess Blessington", newly returned from cleaning and currently looking magnificent in the West Room. The Collection's picture frames, unlike its pictures, have long been somewhat neglected, so the creation of this post is especially welcome. Future work will be concentrated in particular on those frames in the West Galleries and the 19th-Century Gallery, rooms destined for major refurbishment work from 2017 onwards, although of course other projects will doubtless arise as well.

Metals Conservator Seoyoung Kim has now left us for a part-time position at Kingston Museum, and we have welcomed back Graeme McArthur, her replacement, who comes to us from the British Museum. Graeme first worked with us some years ago as a six-month UCL conservation-student intern, and then, a little while later, he re-joined us as Seoyoung's maternity cover for a year. He therefore knows the Wallace Collection, and the Oriental Armoury in particular, very well. His principal present task is to maintain the momentum established by his predecessor in the cleaning and conservation of the Indo-Persian and Ottoman arms and armour in that Gallery, towards photography and cataloguing. Alexandra Gent has left the Collection, following the completion of the Reynolds Conservation and Research Project.

During the past year the Conservation Department has as usual played a central role in the Wallace Collection's gallery refurbishment programme, culminating in the re-opening of the radically improved and redisplayed Great Gallery. That re-display, together with related art-object moves and subsequent reorganisation of the Reserve art-storage area, were all completed on schedule, by late summer 2014. Work to further improve conditions and space in Reserve are well under way, with a phased plan being put into operation this year which should see major improvements taking place during the course of the next three years, not just to safeguard the condition and security of art-works in store, but to improve lighting, space-availability, and energy costs. Conservation staff have also been proactive in working with Sykes engineers and the Facilities Department during this period to maintain and improve environmental monitoring in the galleries, and particularly helping to oversee the commissioning of the new plant and services supporting the Great Gallery itself. Members of the Department have been especially active in working with the Head of Building and Projects and the Facilities Department to gather together a wide range of experts to advise on our ongoing environmental challenges across the Collection, including seeking to reduce the building's overall energy consumption and carbon footprint.

As usual, the past year has seen the creation of major exhibitions at Hertford House, beginning with 'Collecting History: The Founders of The Wallace Collection', which ran from November 2014 until February 2015, and concluding with the very successful Sir Joshua Reynolds exhibition 'Experiments In Paint'. Conservation Craftsman Stephen Craig, in particular, worked especially hard on these displays, which involved the fabrication of many new display mounts, and the re-framing of dozens of prints. Similar intensive work was required to put together the Conservation Gallery displays 'Copying French Furniture' (March to August 2014) and 'Collaboration, Conservation and Research: Furniture from the Great Gallery' which will close this September. The latter display involved the collaboration of three teaching institutions (Bucks University, City & Guilds of London Art School, and West Dean College) who had been involved in the conservation of the four large central

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tables in the Great Gallery.

Meanwhile, the core activities of the Department have continued to be pursued. The conservation of metalwork (particularly Renaissance Italian sculpture, and Eastern arms and armour) has been aimed principally towards photography and cataloguing. All seventy-four Indo-Persian helmets were cleaned, conserved, photographed in detail, and examined/assessed for cataloguing, alongside the conservation of other Eastern Armoury-related objects (principally Ottoman short-swords, pistols and daggers). In the area of furniture conservation, the Department has been concentrating on the works of Jean Henri Riesener, cabinet-maker to the French royal family in the second half of the eighteenth century, and Pierre Gouthière. This work is part of a major research project which is intended to culminate in both publications and a major exhibition, to include perhaps Riesener and Gouthière pieces in other museum collections such as Waddesdon Manor (the Rothschild collection) and the Royal Collection at Buckingham Palace and Windsor Castle. Having completed the restoration of a secretaire made for Queen Marie-Antoinette of France, an unusual Riesener oval secretaire, and an important pair of gilt-bronze mounted tables attributed to Gouthière, we are currently examining two corner cabinets, one of which is attributed to Riesener and the other a later copy made to match it.

Other conservation work in the Collection included the major overhaul of more than a dozen French eighteenth century clocks, conservation treatment of a wonderful turtle-shell-and brass mirror made by the master André-Charles Boulle for the Duchesse de Berry, and the consolidation, repair, re-touching and re-mounting of an important marble sculpture depicting the Head of Christ, set in a carved stone roundel, made in the very early sixteenth century by the master-sculptor Pietro Torrigiani, for Westminster Abbey.

Additionally, work was carried out on a very important 16th-century silver-gilt mounted Coconut Cup from Eton College, and conservation advice and expertise was given towards exhibitions and displays being set up both at Stratfield Saye (home of the Duke of Wellington) and Belmont House in Kent.

Besides having responsibility for all matters pertaining to conservation, the Department also has a remit to oversee and/or undertake scientific analysis, much of which can be carried out in-house. During the past year, a wide range of predominantly Italian medieval and Renaissance copper-alloy sculptures have been analysed by X-ray-fluorescence, using the Department's hand-held Bruker 'Tracer' XRF scanner. This project came to an end in June 2015, and the catalogue text incorporating the results is to be submitted for review and publication. Off-site study and analysis of ferrous metals used in the fabrication of Eastern and Oriental armour and blades is progressing well, using the neutron-source facilities of the Rutherford Appleton Laboratory near Didcot, to carry out a series of analytical experiments using neutron diffraction. This work has been carried out in collaboration with the Italian Neutron Experimental Station at ISIS, within RAL. The interim results of these experiments, still on-going, were presented at the Synchrotron Radiation for Art & Archaeology conference in Paris, as well as the Historical Metallurgy AGM & Conference in Salisbury, and most recently at the TECHNART conference in Catania, Sicily. Neutron beam-time is both scarce and expensive, but we have just heard that the Collection's application for more neutron-beam time has been granted, which will allow us to pursue further neutron-diffraction analysis of Indo-Persian 'watered-steel' blades during the coming year. It is intended that all this work will be used to inform and assist the compilers of the projected new Oriental Armoury catalogue currently being assembled and worked on by our curatorial

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colleagues.

It is important that the results of such research are published and disseminated to a wide audience, outside specialist conferences, and every effort is made to ensure that articles arising from such work are produced by Conservation Department staff for submission to peer-reviewed journals such as (during this past year) the National Gallery Technical Bulletin, the ICON (Institute for Conservation) journal, and the journal of the Arms & Armour Society of Great Britain. Similarly, members of the Department are encouraged to lecture widely, both in the UK and abroad.

The Public Engagement Directorate

The Directorate is responsible for championing the Ten Year Plan objective that the Wallace Collection will be a welcoming, accessible and inspirational museum promoting our core areas to a diverse audience and encouraging learning.

Press and Marketing

The highly successful reopening of the Great Gallery, following a two-year major refurbishment project was, without question, the highlight of the year. To complete this ambitious project on time and on budget is noteworthy as is the way in which the Collection took full advantage of this opportunity to raise the profile and increase the quantity and quality of engagement with visitors. Following the retender of design and digital contracts, a major review of the Collection's style and method of communication was undertaken. With new consultants Turnbull Grey (design) and Studio 24 (digital) the reopening signalled a fresh approach to all printed and digital materials covering every aspect of the Collection's external communications.

An imaginative tube campaign and extensive press and media coverage reinforced the public and critical acclaim that greeted the Great Gallery refurbishment. An instant increase in visitor numbers following the reopening has been sustained with the total of visitors increasing to 428,000 (from 415,000 in 2013–14) for the year. In addition to the success of the Great Gallery project the Collection also enjoyed much praise for its temporary exhibition *Joshua Reynolds: Experiments in paint* which straddled the year end. This exhibition achieved a total number of visitors of over 30,000 making it a highly attended and particularly successful exhibition.

Personal recommendations and positive reviews on TripAdvisor are exceptionally high and whilst the proportions of visitors from overseas, UK and London have remained constant, audience development projects have seen the Collection reach younger audiences.

Website visits increased from 565,000 to 598,000 with first time visits going up from 385,000 to 431,000. Twitter followers rose from 18,300 to 23,500 and Facebook followers from 13,000 to 18,100.

Education

The department continues to work in schools and community settings and is also responsible for running our programme of public events.

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Schools' Programmes

Numerous creative projects were run in schools throughout the year with over 550 events/activities reaching nearly 11,500 children. The range of this work is perhaps demonstrated by mention of a few noteworthy projects:

- The relationship with our local primary school, St Vincent's RC, continues successfully. Every pupil at some point in their time at the school will visit and have contact with the Collection. Each year the school takes part in *Takeover Day*, a national event organised through the Children's Commissioner, which gives children and young people the opportunity to lead tours, provide visitor services, work in the shop and offer opinions and thoughts on how the Collection communicates and interacts with young people. In the case of St Vincent's, this complements our *Young Curators* programme which works with a dedicated group of pupils throughout the year as they carry out in-depth study of specific works in the Collection culminating in leading public tours. Following the impact of this programme, in 2015–16 we are pleased to report that thanks to support from Lloyds Bank, we are able to extend the *Young Curators* programme to work with Secondary aged pupils.
- Our annual *What is History?* masterclass for 6th-form students is a unique study day, organised in collaboration with the Borough of Camden, where participants explore a key A2 History topic. Speakers included David Starkey, Dr Peter Claus (Pembroke College, Oxford) and Prof. Alun Munslow.
- The museum hosted its annual *What is it like to work in a Museum?* Careers Open Day. The day was an exciting opportunity for A-Level students to discover what it is like to work within a museum, with most departments getting involved. The day offered an insight into the diverse roles a museum offers and students attended workshops covering curating, education, conservation, events and security.
- *National Science Week* was aimed at Physics and Chemistry students and an event at the Collection focused on the science behind conservation work. Due to the success of this event this is likely to become an annual event, run during *National Science Week*, emphasising the Collection's link to STEM (Science, Technology, Engineering, Mathematics) subjects.
- Masterclasses aimed at BTEC Travel and Tourism students from Westminster Kingsway College were run at the Collection with the day being structured into various sessions and covered all areas of security, such as risk assessments and conflict resolution, as well as practical interviewing skills.
- Our popular session *Naked Bodies* for A-Level art students took place again this year. Pupils spend the day studying the human form and how it has been portrayed by artists such as Titian and Boucher, in the Renaissance and the Rococo periods and in the afternoon students put their observations into practice by drawing from a female nude life model.
- A study day for Year 12 and 13 Art History students and others considering taking Art History at university was run at the Collection. Students found out what studying Art History at university involves, gained practical skills in analysing works of art and object handling, discovered what museum conservation involves and saw where taking an Art History degree can lead. The day comprised of gallery discussion, group work and talks from university lecturers, art historians and Wallace Collection staff.

Community Programmes

This area encompasses work with a broad range of groups and individuals. In 2014–15 over 200 events reached over 2,500 children and adults, the vast majority of whom had little or no

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previous contact with the Collection. A few examples of the kind of projects undertaken follow:

- A special evening viewing of the Great Gallery for our D/deaf and hard of hearing visitors. The event was introduced by Curator Lucy Davis followed by a series of talks by our team of freelance Deaf lecturers and artists. The event was open access providing support for British Sign Language user, Sign Supported English users and Lipreaders.
- Four workshops *Discover the Wallace Collection* for individuals with early stages for dementia and their carers.
- Family sessions including for Hallowe'en, Channukah and Christmas.
- A particular highlight from this year took place over three and a half days in October (27–30). 14 young people aged between 14 and 19 years worked with Chocolate Films, Wallace Collection educators and curators and the Geffrye Museum to create four short films about Joshua Reynolds to accompany the exhibition *Joshua Reynolds: Experiments in Paint*. The project was a unique opportunity for young people to gain real digital skills as well as learning invaluable skills in team working, public speaking and confidence building.
- Throughout the year *Out of the Frame* visits took place to care homes in London and Norwich. Residents continue to enjoy the rich content provided by the museum and exploring different aspects of our collection.
- In support of Carers Week, the Museum hosted a tea and tour session for carers from Westminster, Kensington and Chelsea and Hammersmith and Fulham.
- A full programme for Refugee Week was produced, including a special family day where families enjoyed tours given by our Refugee Tour guides and contributed rainbow designs and drawings – based on our *Rainbow Landscape* - to a specially erected tent on the front lawn on the museum. The tent then travelled to the Museum of London and the V&A for similar events the following week.
- In June, blind and partially sighted children and their families came to the Collection to experience a day in the life of an eighteenth-century aristocrat and explore the stories and characters hidden in the paintings at museum. The day included object handling, story writing, trying on costumes and music making, culminating with a performance on the Wigmore Hall stage at the end of the day.
- Connections were established with three community groups, all of whom have visited the Collection during the year; 'The Single Homeless Project Islington', who support homeless and vulnerable people in London, 'Stuart Low trust' a charity who support adults experiencing social isolation or mental distress and the 'Learning Disabilities Service', Hammersmith and Fulham. We hope to continue to work with these groups throughout 2015–16.

Public Programmes

Over 950 events engaged with 23,000 people during the year. Regular tours of the Collection and our exhibitions continue, as well as study days, a guest lecturer series, 'Treasure of the Month' talks, drawing/painting workshops and classes, a film series, etc. This year saw the return of music concerts being scheduled in the Great Gallery as well as the launch of our programme of evening openings 'Friday Lates'.

This extensive programme continues to offer opportunities and possibilities for visitors to engage more fully with the Collection and in many cases attracts new audiences from a broader demographic than our regular visitor profile. An example being the popular Friday

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‘Late’: *Making Out at the Wallace: A Très Gay Soirée*, which was aimed at LGBT groups and individuals.

As part of the Collection’s commitment to broaden its visitor base – particularly amongst younger visitors – the Collection took part in a Piloting Participation Partnership Project (PPPP) between the Geffrye Museum, Dorich House Museum, Headstone Manor Museum, Keats House and Valence House Museum. Funded by Arts Council England, between April 2013 and March 2015, the six museums involved worked together to share their experience and improve their skills with a focus on participation, enabling them to become more responsive, successful and sustainable. The aim of the project was for each museum to increase engagement with local communities, families and young people and encourage a wider range of people to participate in heritage and learning activities. The partners piloted different types of participation activities and created new opportunities for volunteers to contribute to the development of the museum’s work. Through this project, the Wallace Collection aimed to engage and work directly with young Londoners aged between 14 and 24 years. We had little experience with youth advisory panels so partnered with the Geffrye Museum to benefit from their experience and also to create opportunities for young people to volunteer and respond creatively to the Wallace Collection. This partnership enabled the Geffrye Museum’s Youth Advisory Panel to plan responsive events, including two film-making projects and two large scale participatory events, with associated marketing materials for other young people. The Geffrye Museum’s Young Consultants were invited to assist with the Wallace Collection’s future strategic thinking around active participation. Both groups took an active part in the project, including helping to make decisions about themes explored, resources, events and activities created. The final event, *The Ball in the Hall*, took place on 17 January 2015. The event celebrated the opening of the Great Gallery and was curated and run entirely by the young people. It was hugely successful: over 250 people took part over the course of the afternoon, and an ITV London News crew filmed the event.

Income Generation

Events and Corporate Membership scheme

The Wallace Collection continues to attract significant numbers of corporate clients that wish to host events at Hertford House. The reopening of the Great Gallery allowed the Collection to re-launch its Corporate Membership scheme and extend the range of events that the Collection can host. Considerable effort was given to the marketing of these schemes and packages the benefit of which was apparent during the second half of the year (following the reopening). The results of these efforts will be more fully realised in 2015–16. Currently the Collection has twelve Corporate Members following the recruitment drive in 2014–15.

The Events team ran 77 events during the year, welcoming nearly 12,000 corporate guests to the Collection.

Retail, Front of House services and Gallery Team

Although retail turnover benefited from the increase in visitors following the reopening of the Great Gallery, the first part of the year struggled to meet targets. During the year a review of the retail shop was undertaken. Following this review a new strategy has been introduced with a greater emphasis being placed on developing specific products branded as Wallace Collection. This change in approach has had a positive impact and whilst the overall income for the year was slightly down on 2013–14 the spend per customer has increased. The strategy continues to be implemented and encouragingly, sales for Reynolds related gifts

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have been robust with the exhibition catalogue proving to be very popular. The challenge represented by the need to increase on-line sales as well as improve the conversion of visitors to customers and overall profitability, continues.

Customer/visitor training was run during the year to ensure the high standards of service expected of the Wallace Collection Front of House team and gallery staff continues and grows. The training focussed on the core values of the team's role, established as Welcoming, Informative and Engaging.

The Wallace Restaurant and Café

The Great Gallery refurbishment and the review of the Collection's offer to visitors prompted Peyton & Byrne to undertake a refurbishment of its restaurant and café. This took place during August with the project completed prior to the Great Gallery reopening. Whilst the Collection experienced some initial problems, the catering offer and customer service has improved following the refurbishment. Income during the final quarter of the year was particularly strong and has continued above targets into 2015–16. The period of closure for refurbishment has had an impact for the overall financial results for the year, but the number of covers has increased with a significant shift of visitors eating in the café rather than the restaurant.

Since the year end, Peyton & Byrne has restructured the management of the Wallace Collection operation which has had a positive impact on customer service.

The Finance and Operations Directorate

The Directorate is responsible for championing the Ten Year Plan objective of a museum with an up-to-date infrastructure and with sufficient space for its collections, visitors, staff and activities.

Finance

The small team manages all of the financial activities and controls in the museum, including management accounting and budgeting. They also liaise with the DCMS, the Audit Committee, the National Audit Office and other external auditors. They oversee the financial aspects of capital building projects, all contracts, and income and expenditure.

Building and Projects

The focus in the first half of the year was on getting the Great Gallery prepared for the opening. The department also ensures that Hertford House remains wind and water tight, thereby minimising the risk to the collection. This is achieved by the day-to-day maintenance of the building and by managing the mechanical and electrical engineering required to provide the works of art with the correct environment. The department has managed other building works including electrical maintenance to all the distribution boards across the building, reviewing the Planned Preventative Maintenance programme to rationalise the time our mechanical and electrical engineers spend carrying out planned maintenance. Utility cost increases have placed pressure on limited budgets, but these have been mitigated where possible by using collaborative procurement arrangements and by reducing electricity consumption.

IT

During the year we continued with the work begun last year in overhauling the ICT

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infrastructure within the Wallace Collection to improve efficiency for all and to begin to deliver against the Ten Year Plan infrastructure objective. The new virtual servers were put into operation in July and we now have wi-fi throughout the building. The department also provides training to staff and daily network and desktop IT support.

Security

The Department includes staff that provide 24/7 security cover for the Collection and (until February 2015) the gallery teams that work within the galleries during opening hours. The external risks that could have an impact upon the security of the museum are monitored, with policies and procedures updated accordingly to minimise them.

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 museum's staff can both support the visitor and secure the works of art.

Human Resources

The HR Manager is responsible for staff in all matters relating to their employment with the museum. This year the focus for HR (in addition to work on payroll, administration, annual reviews, recruitment, and related tasks), has been on pension changes, employee relations and change management. The biggest change to occur to civil service pensions since July 2007 finally culminated in April 2015 when Alpha was launched as a replacement for the previous scheme, Nuvos. This took many months of coordinated work with MyCSP, the pension administrators, including data cleansing, reporting and investigations into previous public service history records.

Financial Review

Financial results

Net outgoing resources in the year amounted to £191,000 (2013–14: £2,299,000 net incoming resources). The significant change in the result between 2013-14 and 2014-15 reflects the reduction in the scale of gallery refurbishment work that was being undertaken in 2014-15 compared with the previous year, and the way in which income and expenditure for capital projects is accounted for.

Large donations were received in 2013-14 for capital projects including £2,908,000 for gallery refurbishment, principally the Great Gallery. As the work on the Great Gallery was completed in 2014-15, the donations for capital work fell to £885,000. No new major gallery refurbishments were started in 2014-15.

While donations and grants in support of capital expenditure are recognised in the Statement of Financial Activities 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 income is shown in the year it is received, whereas the expenditure is spread over the life of the asset that it funds.

During 2014-15, the museum capitalised costs totalling £701,000 (2013–14: £2,532,000) as assets under construction. The majority of these related to the Great Gallery refurbishments. As the work on the Great Gallery was completed in 2014-15, these costs were then transferred from assets under construction to the asset categories of land and buildings, and fixtures and fittings as appropriate.

The key financial risks to the Collection continue to be the ongoing security of income, 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 £2,962,000 (2013–14: £2,994,000). This represents 47% of the museum's total income for the year (2013-14: 37%). The increase in 2014-15 reflects the much lower level of capital income received in that year;
- (b) Fundraising expenditure amounted to £278,000 (2013–14: £130,000). The main reasons for the increase are the appointment of the museum's first Head of Fundraising and the costs of the very successful gala dinner;
- (c) Marketing and design expenditure amounted to £341,000 (2013–14: £262,000). There remains a continued focus on the ongoing advertising strategy which has been instrumental in increasing awareness and visitors to the Collection;

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- (d) Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £892,000 (2013–14: £860,000). Overall income from trading activities has fell during the year largely reflecting the impact of the closure of the Great Gallery until September 2014;
- (e) Conservation expenditure amounted to £237,000 (2013–14: £297,000);
- (f) Collection expenditure amounted to £1,240,000 (2013–14: £1,205,000) with costs only marginally increased on the previous year;
- (g) Security expenditure was £1,260,000 (2013–14: £1,239,000) with costs only marginally increased on the previous year;
- (h) Building and maintenance expenditure (excluding the charge for depreciation) amounted to £1,117,000 (2013–14: £958,000).

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 2015 represents cover of approximately three 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:

- Freehold land and buildings were valued at £41,292,000 by a regulated firm of chartered surveyors as at 31 March 2015, a significant increase in value;
- Total additions during the year amounted to £805,000 (2013-14: £2,563,000. These primarily related to capital expenditure on the gallery refurbishments which fell compared with the previous year as work on the Great Gallery was completed;
- The depreciation charge for the year is £1,006,000 (2013-14: £858,000). The increase reflects the completion of the Great Gallery work and its transfer from assets under construction which are not depreciated. The building is depreciated over an expected remaining life of 91 years. It is, nevertheless, the Trustees' intention to continue to maintain and improve Hertford House, subject to the availability of adequate funding.

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Payment of creditors

During 2014–15, the Wallace Collection paid 92% of undisputed creditors within 30 days of receipt of an invoice (2013–14: 92%).

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 and detailed below:

		2014-15	2013-14
Key Performance Indicators:			
	Number of visits to the museum	427,836	415,469
	Charitable giving (fundraising) (£)	1,828,000	3,485,000
Other Performance Indicators:			
Access			
	Number of unique website visits	600,838	398,814
Audience Profile			
	Number of visits by children under 16	17,113	28,078
	Number of overseas visits	175,412	166,188
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	11,440	13,765
	Number of instances of visitors under 18 participating in on site organised activities	11,734	14,883
Visitor satisfaction			
	% of visitors who would recommend a visit	83	64
	% of visitors who were very satisfied with their visit	84	80
Self generated income			
	Trading income (net profit)	£439,471	£621,001

Sources of data

The museum 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. Visitor recommendation and satisfaction percentages are taken from visitor surveys carried out by an independent company. Net income from trading is taken 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.

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 Wallace Collection Foundation (formerly 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 2014-15. The audit fee in respect of this work was £20,000. Other than the statutory audits of the Wallace Collection and Hertford House Marketing Limited, and an internal audit service, no other accountancy or audit services were commissioned or undertaken in the year. External auditors are engaged for the trading subsidiary audit and internal audit services.

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

Staff and organisation

The Wallace Collection is an Equal Opportunity Employer and has agreed statements of policy under Section 2(3) of the Health and Safety at Work Act 1974. Senior officers meet fortnightly and communicate with staff through weekly team briefings, full monthly staff meetings and regular staff notices and other 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 2014–15 or prior years and has made no such report to the Information Commissioner's office.

Sickness absence

Sickness absence accounted for 4.87% of all staff time during 2014–15 (2013–14: 3.3%), or 12.32 days per staff member (2013–14: 8.5 days), however this includes (and is therefore skewed by) those staff members on long-term sick leave. When these are excluded, the remaining staff absence accounted for 3.13% of staff time (2013–14: 2.2%), which equates to 7.92 days per staff member (2013–14: 5.4 days).

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 (2013–14: £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	Performance related pay and bonuses	Benefits in kind	Pension benefits ¹	Total	Total
	2014/15 (2013/14) £'000	2014/15 (2013/14) £'000	2014/15 (2013/14) £'000	2014/15 (2013/14) £'000	2014/15 £'000	2013/14 £'000
Dr Christoph Vogtherr <i>Director</i>	85-90 (85-90)	10-15 (10-15)	- (-)	38 (36)	135-40	130-135
Derek Purnell <i>Director of Public Engagement</i>	55-60 (5-10 Full year equivalent: 55-60)	- (-)	- (-)	- (-)	55-60	(5-10 Full year equivalent: 55-60)
Clare O' Brien <i>Director of Public Engagement</i> (until 15 December 2013)	- (45-50 Full year equivalent 60-65)	- (0-5)	- (-)	- (5)	-	50-55 Full year equivalent 70-75
Jeremy Warren <i>Director of Collections</i> (until 31 March 2015)	65-70 (60-65)	- (-)	- (-)	27 (13)	90-95	75-80
Philip Walsh <i>Director of Finance and Operations</i> (until 13 February 2015)	55-60 Full year equivalent: 65-70 (60-65)	- (-)	- (-)	16 (13)	70-75	75-80
Sarah Harmer <i>Head of Fundraising</i> (from 1 May 2014)	55-60 Full year equivalent: 60-65 (-)	- (-)	- (-)	- (-)	55-60	-

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David Robertson <i>Interim Director of Finance (from 19 January 2015)</i>	15-20 (Not a staff member – employed via an agency)	- (-)	- (-)	- (-)	15-20	-
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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.

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.

The Interim Director of Finance was employed through an agency. Payments to the agency amounted to £17,934 between 19 January and 31 March 2015 (2013-14: £nil).

Pension benefits	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31/3/15 and related lump sum	Cash Equivalent Transfer Value at 31/3/14	Cash Equivalent Transfer Value at 31/3/15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£
Dr Christoph Vogtherr <i>Director</i>	0-2.5	10-15	121	155	15	-
Derek Purnell <i>Director of Public Engagement</i>	-	-	-	-	-	9,419
Clare O'Brien <i>Director of Public Engagement (until 15 December 2013)</i>	- (0-2.5 plus 0-2.5 lump sum)	-	179	-	-	-
Jeremy Warren <i>Director of Collections (until 31 March 2015)</i>	0-2.5 less 0-2.5 lump sum	25-30 plus 40-45 lump sum	567	622	26	-
Philip Walsh <i>Director of Finance and Operations (until 13 February 2015)</i>	0-2.5	10-15	91	105	5	-
Sarah Harmer <i>Head of Fundraising (from 1 May 2014)</i>	-	-	-	-	-	3,954

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

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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.

One of the senior managers, Jeremy Warren, received 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 (2013–14: £Nil).

The banded remuneration of the Director in the current financial year was £95,000–100,000 (2013–14: £95,000-100,000). This was 5.0 times the median remuneration of the workforce (2013–14: 5.1 times). The median total remuneration of the workforce in the current financial year was £19,402 (2013–14: £18,952). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind.

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.

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

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. 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.

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

New career average pension arrangements were introduced from 1 April 2015 and the majority of the classic, premium, classic plus and nuvos members joined the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

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

13 July 2015

.....
António Horta-Osório
Chairman

13 July 2015

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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 to December 2014	3/3
António Horta-Osório	January 2015	Chairman from January 2015	1/1
Adrian Sassoon	August 2007; reappointed August 2011	-	3/4
Dr Ashok Roy	January 2013	-	4/4
The Duke of Devonshire CBE	August 2007; reappointed August 2011	-	3/4
Professor Frances Corner OBE	September 2009; reappointed September 2013	Chair of the Audit Committee (4/4)	4/4
Sir Hugh Roberts GCVO, FSA	January 2013	-	4/4
Jagdip Jagpal	August 2007; reappointed August 2011	-	3/4
Professor Jasper Conran OBE	August 2007; reappointed August 2011	-	0/4
Jennifer Eady QC	January 2013	-	3/4
Jessica Pulay	January 2013	Member of the Audit Committee (3/4)	4/4
Kate de Rothschild Agius	January 2013	-	4/4
Rupert Hambro	January 2013	-	4/4
Timothy Schroder	January 2013	-	4/4

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

Mrs Jane Lewis

appointed January 1998

Mr Pierre Arizzoli-Clementel

appointed August 2007

The Marquess of Hertford DL

appointed July 2008; reappointed
January 2015

HRH The Countess of Wessex

Royal Patron

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

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

Dr Christoph Vogtherr	Director
Sarah Harmer	Head of Fundraising (from 1 May 2014)
Derek Purnell	Public Engagement Director
Philip Walsh FCA	Finance and Operations Director (to 13 February 2015)
Jeremy Warren FSA	Collections and Academic Director (to 31 March 2015)
David Robertson	Interim Director of Finance (from 19 February to 29 May 2015)

Directors of Hertford House Marketing Limited during the year

Sir John Ritblat (until 31 December 2014)
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
Fairfax House
15 Fulwood Place
London WC1V 6AY

Annex B - Wallace Collection Supporters 2014–15

The list below gratefully acknowledges individuals, trusts and foundations and corporate members who have generously supported the Wallace Collection from 1 April 2014 to 31 March 2015.

Benefactors

Hertford Circle

Anonymous

Seymour-Conway Group

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Ms Nada Bayoud and Mr Andrew Wynn
Alex Bouzari
The Deborah Loeb Brice Foundation
Ms Miel de Botton
The Duke of Devonshire KCVO, CBE, DL
Dame Vivien Duffield DBE
Hon Simon Eccles
Mr and Mrs Nadar
Pamela Roditi
Adrian Sassoon
Carolyn Townsend

And all those who wish to remain anonymous

Patron Group

John Watson and Betsy Blackwell
Mrs Charles H. Brown
Mr Ian Butchoff
Cynthia Colman
Oliver Colman
Mrs Rima Connelly
Tommaso Crackett
Mr & Mrs Richard Dorment
Ms Jennifer Eady Q.C.
Nicholas and Gillian Eeley
Lt. Cdr. Paul Fletcher
Sam Fogg
Mrs Joscelyn Fox
Mr Jacques-Antoine Gannat
Patricia and John Glasswell
Mme Alice Goldet
Nancy L. and William P. Hallman, Jr
Mr and Mrs Rupert Hambro

Joanna Hewitt
Dr Alan J Horan OBE and Mrs Horan
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The Wallace Collection Annual Report and Accounts 2014–15

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The Wallace Collection Annual Report and Accounts 2014–15

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The Wallace Collection Annual Report and Accounts 2014-15

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 on an accruals basis to show a true and fair view of the Wallace Collection's financial activities during the year and of its financial position at the end of the year.

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

- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates that are reasonable;
- 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 Wallace 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 for safeguarding the Wallace Collection's 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

13 July 2015

.....
António Horta-Osório
Chairman

13 July 2015

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

The Wallace Collection Annual Report and Accounts 2014–15

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 serve include 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.

The Wallace Collection Annual Report and Accounts 2014–15

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, and Head of Fundraising. 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 2015, 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.

The Wallace Collection Annual Report and Accounts 2014–15

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.

Achievements and effectiveness of the Board

The key achievement of the Board during 2014–15 has been working closely with the DCMS and the Director in the selection of a new Chairman.

The Trustees have been closely involved in setting up a new fundraising strategy that is aimed at increasing the revenue fundraising and establishing an endowment for the museum. After the arrival of the new Chairman, governance procedures and terms of reference have been reviewed. Both processes will continue into the financial year 2015–16.

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. The structure of Board meetings has been reviewed and adjusted by the new Chairman.

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 and Accounts. The Committee reports on its work at each Board meeting.

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

The Wallace Collection Annual Report and Accounts 2014–15

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 Ten Year Plan (see page 4) and the Review of the Year sets out progress against these objectives. The day to day risks associated with these activities are managed, constantly challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

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

Risk management is therefore an intrinsic part of the everyday decision-making process at the Wallace Collection. Given the tight financial constraints that the Wallace Collection has operated under for many years, it is only natural that risk is considered as part of every management and Trustee decision.

Risk is not only limited to financial risk, where every new project is carefully costed, budgeted for and monitored, but the risk to the fragile Collection and the fabric of Hertford House that is entrusted to the Trustees' care. The risk assessment and monitoring process is engendered in all staff through the discipline of the budgeting round, plus overt consideration in each of our weekly staff meetings where the topic is a mainstay of discussion. For major projects a Steering Group is established, headed by a senior staff member, and they are charged with ensuring that the project operates to set parameters and budgets. Thus the risks inherent in any new venture are weighed up carefully in advance and are monitored throughout the duration of the project.

The key risk priorities of the Wallace Collection in 2014–15 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 or to the mission of the museum;
- Guaranteeing the scholarly quality of the museum's activities and improving its international position under severe financial constraints;
- 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.

The Wallace Collection Annual Report and Accounts 2014–15

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

13 July 2015

.....
António Horta-Osório
Chairman

13 July 2015

The Wallace Collection Annual Report and Accounts 2014–15

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 2015 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, 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 and report.

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.

The Wallace Collection Annual Report and Accounts 2014–15

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 2015 and of its incoming resources and total resources expended 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 the Review of the Year, Financial Review, Performance, Reference and Administrative Detail of the Charity, its Trustees and Advisors, and 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

16 July 2015

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

The Wallace Collection Annual Report and Accounts 2014-15

Consolidated Statement of Financial Activities for the year ended 31 March 2015

	Notes	Unrestricted Funds	Restricted Funds	Total 2014/15	Total 2013/14
		£000	£000	£000	£000
Incoming resources					
Incoming resources from generated funds					
Voluntary income					
Donations and similar resources	2	674	1,154	1,828	3,485
Grant in Aid	2	2,962	-	2,962	2,994
Activities for generating funds					
Trading income	14	1,374	-	1,374	1,617
Investment income	4	2	-	2	3
Incoming resources from charitable activities	3	55	-	55	58
<i>Total incoming resources</i>		5,067	1,154	6,221	8,157
Resources expended					
Costs of generating funds					
Costs of generating voluntary income					
Fundraising expenditure		278	-	278	130
Marketing and design expenditure		341	-	341	262
Trading: cost of goods sold and other costs	14	892	-	892	860
Charitable activities					
Conservation expenditure	5	134	103	237	297
Collections expenditure		1,092	148	1,240	1,205
Security expenditure		1,260	-	1,260	1,239
Building and maintenance expenditure		623	1,497	2,120	1,813
Governance costs	5	38	6	44	52
<i>Total resources expended</i>		4,658	1,754	6,412	5,858

The Wallace Collection Annual Report and Accounts 2014-15

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2014/15 £000	Total 2013/14 £000
Net (outgoing)/incoming resources before transfers	7	409	(600)	(191)	2,299
<hr/>					
Transfers					
Gross transfers between funds	12	(46)	46	-	-
<hr/>					
Net (outgoing)/incoming resources before other recognised gains and losses		363	(554)	(191)	2,299
<hr/>					
Gain on revaluation of fixed assets for charity's own use	12	640	3,934	4,574	(131)
<hr/>					
Net movement in funds		1,003	3,380	4,383	2,168
<hr/>					
Fund Balances Brought Forward at 1 April 2014		4,643	37,927	42,570	40,402
<hr/>					
Fund Balances Carried Forward at 31 March 2015	12	5,646	41,307	46,953	42,570
<hr/>					

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 49 to 68 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2014-15

Consolidated Balance Sheet at 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	8(a)	45,447	41,073
Heritage assets	8(b)	82	82
		<u>45,529</u>	<u>41,155</u>
Current assets			
Stock		433	369
Debtors	9	352	779
Cash at bank and in hand	13	1,364	957
		<u>2,149</u>	<u>2,105</u>
Creditors: amounts falling due within one year	10	<u>(605)</u>	<u>(690)</u>
Net current assets		<u>1,544</u>	<u>1,415</u>
Provisions for liabilities and charges	20	(120)	-
Net assets	11	<u>46,953</u>	<u>42,570</u>
Represented by:			
Restricted income funds	12	35,921	36,475
Restricted revaluation reserve	12	5,386	1,452
Unrestricted funds:			
Designated funds	12	3,307	3,518
Unrestricted revaluation reserve	12	1,010	370
General funds	12	1,329	755
		<u>46,953</u>	<u>42,570</u>
Total funds	12	<u>46,953</u>	<u>42,570</u>

António Horta-Osório - Chairman

13 July 2014

Dr Christoph Vogtherr - Director and
Accounting Officer

13 July 2014

The notes on pages 49 to 68 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2014-15

The Collection Balance Sheet at 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investment	14	-	-
Tangible assets	8(a)	45,439	41,062
Heritage assets	8(b)	82	82
		<u>45,521</u>	<u>41,144</u>
Current assets			
Stock		238	204
Debtors	9	880	1,367
Cash at bank and in hand		746	325
		<u>1,864</u>	<u>1,896</u>
Creditors: amounts falling due within one year	10	<u>(337)</u>	<u>(497)</u>
Net current assets		<u>1,527</u>	<u>1,399</u>
Provisions for liabilities and charges	20	(120)	-
Net assets		<u>46,928</u>	<u>42,543</u>
Represented by:			
Restricted income funds		35,921	36,475
Restricted revaluation reserve		5,386	1,452
Unrestricted funds:			
Designated funds		3,299	3,507
Unrestricted revaluation reserve		1,010	370
General funds		1,312	739
		<u>1,312</u>	<u>739</u>
Total funds		<u>46,928</u>	<u>42,543</u>

António Horta-Osório - Chairman 13 July 2014

Dr Christoph Vogtherr - Director and
Accounting Officer 13 July 2014

The notes on pages 49 to 68 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2014-15

Consolidated Cash Flow Statement for the year ended 31 March 2015

	Notes	2014/15 £000	2013/14 £000
Net cash inflow from operating activities	13 a)	1,211	2,824
Returns on investment and servicing of finance	13 b)	2	3
Capital expenditure and financial investment	13 b)	(806)	(2,576)
Increase in cash in the year	13 c)	<u>407</u>	<u>251</u>

The notes on pages 49 to 68 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2014-15

Notes to the financial statements for the year ended 31 March 2015

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 Wallace Collection Foundation (formerly 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.

b) Going concern

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

c) 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.

Income relating to future periods is counted as deferred and recognised 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.

The Wallace Collection Annual Report and Accounts 2014-15

d) 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 costs 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.

e) 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.

f) Tangible fixed assets

Tangible fixed assets with a cost 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 the unnecessary capitalisation of comparatively low value items.

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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(a).

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 four years (except Wallace Live which is depreciated over the expected remaining life of six years)
Fixtures and fittings	- over four years (electrical equipment) ten 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

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 Building Cost Information Service tender price indicators.

g) Stock

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

h) Heritage Assets

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, the Wallace Collection 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 page 5) 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.

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

There is no separate accession register as such for the Wallace Bequest since this function is deemed to be fulfilled by the original bequest documentation and subsequent catalogues. An Accession Register has been implemented for the HHHC and is held by the Head of Collection Services.

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. 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 acquired before 2001 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. The database was populated with a core record for every object in the 1897 bequest including Museum Number, Object Name and Location with further information from scholarly catalogued and object files. It can 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 and to the Wallace Collection.

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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 for assets purchased before 2001. 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.

i) Leases

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

j) 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.

k) 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.

l) Financial Instruments

Financial Assets

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

Financial Liabilities

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

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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.

m) 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 the year end, so no tax is due on this.

n) Provisions for liabilities

Provisions are made for liabilities where the timing and amount of the liability is uncertain.

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2. Voluntary income

£2,962,000 (2013/14 £2,994,000) of Grant in Aid has been received from the Department for Culture, Media and Sport during the year, of which £297,000 has been used to fund capital improvements (2013/14 £285,000). The remainder was used to fund operating expenditure. The majority of the restricted donations and similar resources were raised for capital refurbishments (see note 12).

	2014/15 Unrestricted	2014/15 Restricted	2014/15 Total	2013/14 Total
	£000	£000	£000	£000
Donations	674	269	943	555
Heritage Lottery Fund - Community	-	-	-	0
Heritage Lottery Fund - Capital	-	-	-	0
Other capital income	-	885	885	2,930
Legacies	-	-	-	-
	<u>674</u>	<u>1,154</u>	<u>1,828</u>	<u>3,485</u>

3. Incoming resources from charitable activities

	2014/15 Unrestricted	2013/14 Unrestricted
	£000	£000
Study days and art activities	21	21
Tours and filming	22	15
Miscellaneous other income	12	22
	<u>55</u>	<u>58</u>

4. Investment income

	2014/15 £000	2013/14 £000
Interest receivable	2	3

Interest is earned on short term cash deposits.

5. Total resources expended

a)	Staff costs	Other costs	Depreciation	2014/15	2013/14
	£000	£000	£000	£000	£000
Costs of generating funds					
Fundraising	157	121	-	278	130
Marketing and design	111	230	-	341	262
Trading	541	348	3	892	860
Charitable activities					
Conservation	162	75	-	237	297
Collections	840	400	-	1,240	1205
Security	1,134	126	-	1,260	1239
Building and maintenance	161	956	1,003	2,120	1,813
Governance costs	-	44	-	44	52
	<u>3,106</u>	<u>2,300</u>	<u>1,006</u>	<u>6,412</u>	<u>5,858</u>

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b) Governance costs

Governance costs include:

	2014/15	2013/14
	£000	£000
Trustee Board costs	7	12
Legal fees	6	4
External audit fees	25	30
Internal audit fees	6	6
	<u>44</u>	<u>52</u>

c) Support costs breakdown by activity

Support Costs	Fundraising	Marketing & design	Trading	Conservation	Collections	Security	Building & maintenance	Total 14/15	Total 13/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Director's office	25	17	17	17	68	8	17	169	163
Finance	10	27	7	9	34	42	73	202	205
Human resources	2	3	11	3	14	36	2	71	66
Office support and supplies	4	8	9	4	12	2	2	41	46
	<u>41</u>	<u>55</u>	<u>44</u>	<u>33</u>	<u>128</u>	<u>88</u>	<u>94</u>	<u>483</u>	<u>480</u>

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		Total 14/15	Total 13/14
	directly	Support costs		
	£000	£000	£000	£000
Fundraising expenditure	237	41	278	130
Marketing and design expenditure	286	55	341	262
Trading expenditure	848	44	892	860
Conservation expenditure	204	33	237	297
Collections expenditure	1,112	128	1,240	1,205
Security expenditure	1,172	88	1,260	1,239
Building and maintenance expenditure	2,026	94	2,120	1,813
	<u>5,885</u>	<u>483</u>	<u>6,368</u>	<u>5,806</u>

6. Staff costs

a)	2014/15	2013/14
	£000	£000
Wages and salaries	2,512	2,421
Social security costs	184	178
Pension costs	378	370
	<u>3,074</u>	<u>2,969</u>
Temporary staff	32	15
	<u>3,106</u>	<u>2,984</u>

The above does not include £52,259 relating to staff costs that were capitalised (2013-14: £70,693). 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:

	2014/15	2013/14
£60,001 – £70,000	2	2
£90,001 – £100,000	1	1
	<u>3</u>	<u>3</u>

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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 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2014/15, employers' contributions of £336,606 were payable to the PCSPS (2013-14: £344,337) 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 2014-15 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 £48,803 (2013-14: £32,822) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions equivalent to 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £3,886 (2013-14: £3,494). No contributions were prepaid at that date.

c) Average number of employees

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

	Permanent Staff	Temporary Staff	Managerial Staff	2014/15 Total	2013/14 Total
Director's Office	1.0	-	1.0	2.0	1.8
Conservation	4.0	-	-	4.0	4.8
Collections	16.0	-	1.0	17.0	17.1
Security and Gallery	40.6	0.5	-	41.1	43.3
Building and Maintenance	2.3	-	-	2.3	2.8
Fundraising	1.9	-	1.0	2.9	1.8
Marketing & Design	3.5	-	-	3.5	2.5
Trading	13.0	-	-	13.0	12.6
Finance, IT and HR	4.3	-	1.0	5.3	4.7
	<u>86.6</u>	<u>0.5</u>	<u>4.0</u>	<u>91.1</u>	<u>91.4</u>

The above figures relate to full time equivalent staff numbers. This excludes the capitalised element of staff members whose costs were capitalised. The capitalised element equates to one full time equivalent staff for the year as a whole (2013-14: two full time equivalent).

d) Trustees

The Trustees neither received nor waived any emoluments during the year (2013-14: £nil). Expenses reimbursed to one Trustee (2013-14: two) for travel amounted to £242 (2013-14: £499).

7. Net (outgoing)/incoming resources

Net (outgoing)/incoming resources are stated after charging:

	2014/15 £000	2013/14 £000
Auditors' remuneration:		
NAO audit fee	17	24
Trading subsidiary audit fee	8	6
Internal audit fees	6	6
Operating lease rentals for hire of plant and machinery	10	10

All external auditors' remuneration was for audit work.

The NAO audit fee for 2014/15 comprises a fee of £20,000 in respect of 2014-15 offset by an over-provision of £2,600 in respect of 2013/14.

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8(a). Tangible fixed assets

Group

	Freehold land and buildings	Fixtures and fittings	Office equip- ment	Assets under const- ruction	Total
	£000	£000	£000	£000	£000
Cost/valuation					
Balance at 1 April 2014	36,709	4,654	637	3,397	45,397
Additions	20	39	46	701	806
Transfers	2,610	1,300	171	(4,081)	-
Revaluation	1,953	45	-	-	1,998
Balance at 31 March 2015	41,292	6,038	854	17	48,201
Depreciation					
Balance at 1 April 2014	1,923	1,900	501	-	4,324
Charge for the year	673	236	97	-	1,006
Revaluation	(2,596)	20	-	-	(2,576)
Balance at 31 March 2015	-	2,156	598	-	2,754
Net book value					
Balance at 31 March 2015	41,292	3,882	256	17	45,447
Balance at 31 March 2014	34,786	2,754	136	3,397	41,073

The net book value at 31 March 2015 represents tangible fixed assets used for:

	Freehold land and buildings	Fixtures and fittings	Office equip- ment	Assets under const- ruction	Total
	£000	£000	£000	£000	£000
Charitable purposes	41,292	3,875	255	17	45,439
Trading activities	-	7	1	-	8
	41,292	3,882	256	17	45,447

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	Freehold land and buildings	Fixtures and fittings	Office equip- ment	Assets under const- ruction	Total
	£000	£000	£000	£000	£000
Cost/valuation					
Balance at 1 April 2014	36,709	4,637	604	3,397	45,347
Additions	20	39	46	701	806
Transfers	2,610	1,300	171	(4,081)	-
Revaluation	1,953	45	-	-	1,998
Balance at 31 March 2015	41,292	6,021	821	17	48,151
Depreciation					
Balance at 1 April 2014	1,923	1,891	471	-	4,285
Charge for the year	673	235	95	-	1,003
Revaluation	(2,596)	20	-	-	(2,576)
Balance at 31 March 2015	-	2,146	566	-	2,712
Net book value					
Balance at 31 March 2015	41,292	3,875	255	17	45,439
Balance at 31 March 2014	34,786	2,746	133	3,397	41,062

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 freehold property comprising the Wallace Collection was valued as at 31 March 2015 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 amendment and Financial Reporting Standard (FRS) 15 (UK GAAP). The property was categorised as specialised and consequently valued on a Depreciated Replacement Cost (DRC) basis.

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

	2014/15	2013/14
	£000	£000
Opening balance at 1 April		
Donated objects (shown at valuation)	-	-
Acquisitions (shown at cost)	82	-
	<u>82</u>	<u>-</u>
Donations of objects by gift or bequest	-	-
Acquisitions	-	13
Total additions	<u>-</u>	<u>13</u>
Transfers from Fixtures & Fittings	-	69
	<u>-</u>	<u>69</u>
Closing balance at 31 March		
Donated objects (shown at valuation)	-	-
Acquisitions (shown at cost)	82	82
	<u>82</u>	<u>82</u>

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, though to date these have always been under the Collection's capitalisation threshold.

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

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9. Debtors

	Group	Group	Collection	Collection
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	249	233	-	47
Other debtors	15	15	15	15
VAT debtors	21	195	87	252
Amount due from subsidiary	-	-	720	727
Prepayments and accrued income	67	336	58	326
	352	779	880	1,367

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

The debtors include £20,745 (2013-14: £195,401) 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	Group	Collection	Collection
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	135	239	111	228
Taxation and Social Security	93	93	93	93
Accruals	101	97	93	92
Deferred income	268	256	32	79
Other creditors	8	5	8	5
	605	690	337	497

The creditors include £51,290 (2013-14: £92,784) 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	Group	Collection	Collection
	2015	2014	2015	2014
	£000	£000	£000	£000
Deferred income at 1 April	256	235	79	49
Released in year	(256)	(235)	(79)	(49)
Deferred in year	268	256	32	79
Deferred income at 31 March	268	256	32	79

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11. Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total at 31 March 2015
	£000	£000	£000
Fixed assets	4,317	41,212	45,529
Current assets	2,054	95	2,149
Current liabilities	(605)	-	(605)
Provisions	(120)	-	(120)
Total net assets	5,646	41,307	46,953

12. Consolidated statement of funds

	Balance at 1 April 2014	Income	Expenditure	Revaluation	Transfers	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,506	103	(314)	-	-	3,295
Revaluation reserve	370	-	-	640	-	1,010
Heritage assets (b)	12	-	-	-	-	12
General funds	755	4,964	(4,344)	-	(46)	1,329
Total unrestricted funds	4,643	5,067	(4,658)	640	(46)	5,646
Restricted funds						
Capital reserve (c)	35,744	-	(692)	-	703	35,755
Revaluation reserve	1,452	-	-	3,934	-	5,386
Heritage assets (d)	70	-	-	-	-	70
Conservation projects (e)	41	74	(103)	-	-	12
Education fund (f)	2	38	(38)	-	-	2
Infrastructure fund (g)	12	77	(16)	-	(72)	1
Publication fund (h)	14	8	(6)	-	-	16
Archive project (i)	70	6	(10)	-	-	66
Curatorial projects (j)	-	23	(6)	-	-	17
Exhibitions fund (k)	-	42	(88)	-	46	-
Gallery refurbishment (l)	516	886	(789)	-	(631)	(18)
Chairman's fund (m)	6	-	(6)	-	-	0
Total restricted funds	37,927	1,154	(1,754)	3,934	46	41,307
Total funds	42,570	6,221	(6,412)	4,574	-	46,953

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- a) The capital projects fund comprises the museum'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 museum'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 museum'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 museum'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 received 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 (outgoing)/incoming resources to net cash inflow from operating activities

	Notes	2014/15 £000	2013/14 £000
Net (outgoing)/incoming resources for the year		(191)	2,299
Depreciation	8	1,006	858
Investment income received	4	(2)	(3)
(Increase) /Decrease in stock		(64)	11
Decrease / (Increase) in debtors	9	427	(78)
(Decrease) / increase in creditors	10	(85)	(263)
(Decrease) / increase in provisions	20	120	-
Net cash inflow from operating activities		<u>1,211</u>	<u>2,824</u>

b) Analysis of cash flows

	Notes	2014/15 £000	2013/14 £000
Returns on investments and servicing of finance			
Interest received	4	2	3
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	8	(806)	(2,576)

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

	2014/15 £000	2013/14 £000
Increase / (Decrease) in cash in the year	<u>407</u>	<u>251</u>
Movement in net funds in the year	<u>407</u>	<u>251</u>
	<u>957</u>	<u>706</u>
Net funds at 31 March (note 13(d))	<u>1,364</u>	<u>957</u>

d) Analysis of net funds

	1 April 2014 £000	Cash flow £000	31 March 2015 £000
Cash held at commercial banks and in hand	<u>957</u>	<u>407</u>	<u>1,364</u>

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14. Hertford House Marketing Limited

The Collection owns the whole of the issued share capital of two issued shares of £1 nominal value of Hertford House Marketing Limited, a company registered in England and 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 former Chairman of Trustees, Sir John Ritblat, was a director until 31 December 2014. The museum's Director was a director throughout the year.

Income and Expenditure Account:

	2014/15	2013/14
	£000	£000
Turnover	1,374	1,617
Cost of sales	(220)	(280)
Gross profit	----- 1,154	----- 1,337
Administrative expenses	(718)	(720)
Operating profit	----- 436	----- 617
Interest receivable	1	2
Contribution to the Wallace Collection	(439)	(621)
Net (Loss)/ profit before tax	----- (2)	----- (2)
Tax	-	-
Net (Loss)/ profit after tax	----- (2)	----- (2)

Reconciliation to SoFA:

Cost of sales	220	280
Administrative expenses	718	720
less: Audit fee included in Governance	(8)	(6)
less: Intercompany sales	(38)	(134)
Per Consolidated SoFA	<u>892</u>	<u>860</u>

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Balance sheet:

	2015	2014
	£000	£000
Tangible Fixed Assets	8	11
Current Assets	1,071	990
Current Liabilities	(1,056)	(976)
Net Assets	<u>23</u>	<u>25</u>

	2015	2014
	£000	£000
Share Capital	-	-
Reserves	<u>23</u>	<u>25</u>
Net Assets	<u>23</u>	<u>25</u>

15. Financial commitments

At 31 March 2015, the museum had annual commitments under non-cancellable operating leases for equipment as follows:

Operating leases expiring within:	2015	2014
	£000	£000
Two to five years	<u>10</u>	<u>10</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 47% (2013-14: 37%) of the Museum's income was provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is 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. The increase in the percentage received from Grant-in-Aid reflects the large amount of income for gallery refurbishment, £2,908,000 received in 2013-14. 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 managing 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 £2,097 (2013-14 - £2,653) is generated from interest earned, the Museum is not exposed to significant interest rate risk.

17. Capital commitments

At 31 March 2015 capital expenditure commitments were as follows:

	2015	2014
	£000	£000
Authorised by the Trustees and contracted for	95	716

This commitment relates to the refurbishment of the Great Gallery, and has been undertaken by the Trustees, following receipt of a pledge letter from the Wallace Collection Foundation (formerly the Hertford House Trust) in respect of the funds required to complete the project. The Wallace Collection Foundation 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
	British Museum	-	-	3	-	-
	Imperial War Museum	-	-	1	-	-
	National Gallery	-	-	4	-	-
	Royal Armouries	-	-	1	-	-
	Tate	-	-	1	-	-
	Victoria and Albert Museum	-	-	1	-	-
The Chairman and Director are trustees*:						
	Wallace Collection Foundation (formerly Hertford House Trust)	1,118/(nil)	-	-	-	-
A Trustee is a Director:						
	Lloyds Bank	-	-	3	-	-

* Both with reduced voting rights

The outgoing Chairman supported the museum through the 'Chairman's Fund', the details of which are shown in note 12.

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 museum, and they are shown in Annex B to the Annual Report.

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. Provisions and contingent liabilities

The movement in provisions, all of which fall due within one year, is as follows:

	Group 2015 £000	Group 2014 £000	Collection 2015 £000	Collection 2014 £000
Provision at 1 April	-	-	-	-
Addition in the year	120	-	120	-
Provision at 31 March	120	-	120	-

The provision of £120,000 has been made in respect of redundancy costs and has been calculated on the basis of statutory and contractual obligations.

There were no contingent liabilities as at 31 March 2015.

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