

The Wallace Collection
Annual Report and Accounts 2018-19

The Wallace Collection Annual Report and Accounts 2018-19

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Annual Report and Trustees' Report

Objectives and Achievements

Background/introductory 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. Since the 1870s the Collection has been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. The Collection was bequeathed to the nation by Lady Wallace, Sir Richard's widow, in 1897 and opened to the public on 22 June 1900. Admission to the museum 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 to promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Wallace Collection rests with the Secretary of State for Digital, Culture, Media and Sport, from whom the museum receives a Grant-in-Aid out of monies provided by Parliament. The museum is a Non-Departmental Public Body sponsored by the Department for Digital, Culture, Media and Sport (DCMS). 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.

The museum 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 acclaimed.

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

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

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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 an additional Temporary Exhibition Gallery, Visitors' Library, Lecture Theatre, Meeting Room and Education Studio on the lower ground floor.

The Wallace Collection is prohibited by the terms of Lady Wallace's bequest and the Museums and Galleries Act 1992 from adding to 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 provide 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.

The financial year under review is the second full year of Dr Xavier Bray's tenure as Director of the Collection. This year saw the completion of new enlarged temporary exhibitions galleries, which opened in June 2018 with an inaugural exhibition marking 200 years since the birth of the Museum's founder, Sir Richard Wallace. A new website for the Collection was launched to coincide with this exhibition. The new exhibition space will enable the Collection to explore aspects of its existing collection in greater depth and facilitate collaborations with other institutions, creating partnerships both within the UK and internationally. Furthermore, paid exhibitions that generate revenue and increase visitor numbers were central to the strategic plan approved by the Board of Trustees in July 2017. The first paid exhibition, *Henry Moore: The Helmet Heads* opened in March 2019 to very good reviews.

Another highlight of the 2018-19 year was the Buckingham Palace gala dinner hosted by our Royal Patron, HRH the Countess of Wessex. The evening was designed for generous donors to the Wallace Collection Endowment and represented the first gala dinner the Wallace Collection has hosted at Buckingham Palace.

Aims, Objectives and Priorities

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.”

The Trustees therefore consider the Wallace Collection's principal aim is:

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

In order to achieve this aim the Collection has, under the banner of “Making Culture Matter” set itself the following objectives and priorities for the period 2018-2021:

1. Broaden and deepen visitor engagement;
2. Maintain and preserve the Collection for future generations;
3. Support excellence in curatorial research;
4. Connect with new audiences through an enhanced digital presence;
5. Lay a strong financial foundation for the future; and
6. Embark upon a capital investment programme to transform visitor experience.

These objectives and priorities are described in further detail in this annual report.

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Achievements and Performance

Broadening and deepening visitor engagement

2018-19 has seen visitor numbers again comfortably exceed 400,000 with 421,676 visitors recorded. This represents a 9% decrease in comparison to 2017-18, however 2017-18 represented an exceptionally successful year owing to a popular exhibition programme. It is noted that some other national museums also experienced a decline in visitors in 2018-19 with a fall in overseas visitors a contributory factor.

June 2018 saw the completion of a new exhibition space designed to host temporary exhibitions. The inaugural exhibition marked the 200th anniversary of Sir Richard Wallace's birth. *Sir Richard Wallace: The Collector* celebrated Sir Richard as a great philanthropist, collector and cultural luminary and featured works of art he personally acquired.

In March 2019 the Collection opened its first paid-for exhibition, *Henry Moore: The Helmet Heads*. The exhibition explored the great twentieth-century sculptor's fascination with armour and, in particular, his long-standing relationship with the Collection and the inspiration it gave to his work, notably his Helmet Head series of sculptures.

Both exhibitions attracted good coverage and profile on social media channels. The Collection's visitor surveys indicated that 93% of visitors said they would recommend a visit to friends, family or colleagues.

Alongside the permanent collection and the exhibitions programme the Collection's Education and Community department has continued to run an extensive programme engaging with a broad and diverse audience. Examples of the breadth of activity, including workshops, lectures, tours, talks, classes and courses include:

- The Collection's Access programme runs a regular series of lectures and tours either in British Sign Language, audio-described or supported by Stagertext (live subtitles for D/deaf and hard of hearing people) and consistently attracts audiences who otherwise would not be able to engage with the Collection.
- Treasure of the Month talks and "Brief Encounters" talks highlight items from the permanent collection and always prove to be popular with visitors.
- Our annual Takeover Day (which started in 2012) when the children of the nearby St. Vincent's school 'run' the museum never ceases to delight and stimulate. The enthusiasm of the children permeates the Collection and engages with visitors in a unique and refreshing way.
- Our Young Curators programme continues to lead tours and study sessions and, similarly, Wallace Youth, supported by Lloyds Bank, runs larger events for a youth peer group that raises the Collection's profile and reputation amongst teenagers/young adults.
- The programme for families and young people has been extended with an increasingly wide range of workshops and activities run at weekends and through school holidays e.g. "Little Draw" – a free drop-in drawing workshop; Life drawing; Printmaking workshops; "The Twelve

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Labours of Hercules” – storytelling to inspire craft-making and painting; Hands on Armour – handling sessions with replica armour.

- The “Out of the Frame” programme takes place in various locations in and out of London. Locations include residential care homes and community day care centres with a programme of activities for older people. The starting point for these creative workshops is always a work of art from the Collection with a handling collection developed with tactile/sensory objects to stimulate participants’ imagination. This popular programme continues to expand to new locations and has become a model adopted by other institutions.
- Wallace on the Wards, our Hospital Outreach Programme, goes from strength to strength with new partners added every year. In 2018-19 we also joined forces with the charity “Change, Grow, Live” that works with people living with addictions.
- As ever the annual LGTBQI (Lesbian, Gay, Bisexual, Transgender, Queer, Intersex) “Late”, curated by Sadie Lee, attracted a capacity audience and the Collection received overwhelmingly positive feedback.
- The presentation of live music performances at the Collection continues to attract new audiences. Concerts this year have included a performance by the London Wind Quintet, the Vox Luna choir, the Marylebone Music Festival and an annual residency in collaboration with the City Music Foundation, when emerging soloists and ensembles give free lunch time recitals.
- The EU funded and internationally collaborative ARCHES (Accessible Resources for Cultural Heritage Ecosystems) project has continued to research, explore and develop innovative technologies that will make museum and gallery visits possible and more enjoyable for people with disabilities and learning difficulties.

Maintaining and preserving the Collection for future generations

The year has seen progress in several aspects of the Collection’s work. A significant upgrade and replacement programme to the air handling units/chillers and building management system took place at the end of the last financial year with positive results. Long-standing issues and problems with environmental controls have been addressed. These improvements have allowed the Collection to maintain the temperature and relative humidity within recommended parameters whilst also reducing energy consumption. As a result, the risk of damage to paintings and artwork through temperature and humidity fluctuations is greatly reduced.

The redesign of the conservation studios and offices on the third floor has provided an opportunity to upgrade the space and equipment; the newly created open-plan space allows for greater flexibility. Paintings and works-of-art condition-checking surveys, in compliance with the Collection’s Museum Accreditation status, have been undertaken during the year.

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In addition to these overarching projects, more specific projects have taken place:

- As part of the “Views of Venice “ project, Canaletto’s two large views across the Bacino di San Marco were displayed in the Great Gallery following eight months of conservation treatment. They were enthusiastically received by visitors who enjoyed viewing them in the Great Gallery among the Wallace Collection’s other great pendants by Van Dyck and Rembrandt. Eight smaller *vedute* paintings by followers of Canaletto have also been conserved.
- Other paintings that have been cleaned and conserved include: After Nattier, *Marie Leszczyńska, Queen of France*, After Velázquez, *Infanta Margarita Maria*, Gutierrez, *Assumption of the Virgin* and Allart van Everdingen, *Landscape with Waterfall*, Studio of Velázquez *Prince Baltasar Carlos in the Riding School*.
- The Collection’s three Boilly paintings (*Visit Returned*, *The Sorrows of Love* and *Dead Mouse*) were restored and returned to Hertford House to be put on special display.
- In addition 12 miniatures and three manuscript cuttings were treated/conserved in response to the Miniatures and Manuscript survey undertaken in 2017.
- The cataloguing of the Hertford-Wallace family papers has been completed and this material is now being added to Museum Plus and being repackaged.

The Wallace Collection publications for the year are:

- Capwell, Tobias, ‘Armed for Eternity Part II: Further Notes on Knightly Swords Illustrated on Funerary Monuments’, the Olympia Arms Fair, April 2018.
- Capwell, Tobias, ‘Armor, Weapons and Combat in Getty Ms. 114’, in Morrison, Elizabeth, ed, *A Knight for the Ages: Jacques de Lalaing and the Art of Chivalry* (Los Angeles: Getty Trust Publications, 2018).
- Capwell, Tobias, ‘Mail and the Italian Knight Part 1’, *Armi Antiche* (2017; published January 2019).
- Higgott, Suzanne, *The Most Fortunate Man of His Day. Sir Richard Wallace: Connoisseur, Collector & Philanthropist*, London 2018.
- Higgott, Suzanne ‘Nouvel éclairage sur La Vision de Saint Hubert de Paul Baudry à Chantilly’, in *Le Musée Condé*, Chantilly, November 2018, No 75, pp. 21-28.
- Kent, Isabelle, ‘It’s Time to return Murillo to the canon of the greats’, *Apollo Magazine* (Online), 25 January 2019.

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- Capwell, Tobias, 'The Armour of an Archangel', in Treves, Letizia, ed, Bartolomé Bermejo: Master of the Spanish Renaissance (London: National Gallery, 2019).
- Capwell, Tobias, 'A Cursed Abominable Device? The True, Shared History of Knights and Firearms', Bulletin of the American Society of Arms Collectors, 118 (2019), pp. 29-43.
- Jackall, Yuriko, Catalogue review. Catalogue of Eighteenth-Century French Paintings, National Gallery, London. Apollo (March 2019)
- Jackall, Yuriko, Exhibition review. Boilly at the National Gallery, London. Burlington Magazine (May 2019).

Supporting excellence in curatorial research

2018-19 research energies have been focused on three key projects:

- Throughout 2018 the Collection celebrated the 200th anniversary of Sir Richard Wallace's birth. In preparation, a major project, led by Suzanne Higgott, was undertaken to question and examine the Hertford-Wallace family history, Sir Richard Wallace's commitment to philanthropy and his tastes, preferences and criteria for collecting art. The showcase for this research was the exhibition which opened in June 2018 *Sir Richard Wallace: The Collector*, together with the publication of a book about Sir Richard Wallace. A series of events culminated in a two day conference -*Sir Richard Wallace and His Age: Connoisseurs, Collectors and Philanthropists*.
- The ongoing major research project examining and analysing the work of the eighteenth-century French royal cabinet-maker Jean-Henri Riesener has made significant progress. Reports and digital models of the construction of almost all items of furniture have now been completed, and an animated film demonstrates the ingenuity of the furniture maker. The project also benefitted from funds from the Leverhulme Trust, allowing the Collection to hire a post-doctoral fellow to work as project co-ordinator. The project, which will cover Riesener's work in Waddesdon Manor and the Royal Collection in addition to the Wallace Collection, will culminate in a joint publication and a major exhibition, provisionally planned for 2021.
- Under the leadership of Tobias Capwell, the Ottoman, Middle Eastern and Asian Arms and Armour project has also progressed well during the year. The catalogue entry-writing phase is complete and the next stage of editing and preparation for publication has begun, and funding has been received for an assistant curator of Ottoman, Middle Eastern, and Asian Arms and Armour. Consideration of a redisplay for this section of the armouries has begun.

The importance of the paintings in the Wallace Collection is demonstrated by an invitation from the National Gallery for the Collection to participate in a technical study of all six of Titian's magnificent mythological paintings made for King Philip II between 1551 and 1562, known as the poesie series. The paintings concerned are the Wallace Collection's *Perseus and Andromeda*,

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the *Venus and Adonis* from the Prado, the *Danaë* from the Wellington Collection, the *Diana and Actaeon* and the *Diana and Callisto*, jointly owned by the National Gallery and the National Galleries of Scotland and the *Rape of Europa* at the Isabella Stewart Gardner Museum. The paintings were analysed using the most up-to-date imaging techniques in order to understand better Titian's painting technique. The results will be published in a new catalogue published by the National Gallery Company.

Connecting with new audiences through an enhanced digital presence

The importance of bringing the Collection to life digitally through a new online presence has led to various initiatives being introduced in the past year, the priority being the new website. In June 2018 the Collection's new website was launched to coincide with the opening of the enlarged exhibition space. The project was over six months in development, and was delivered on time and on budget.

The image-led design provides flexibility and includes new features, including the ability to upload high-quality digital images which can be downloaded free for personal and academic use. The site also incorporates a new online ticketing function to coincide with the launch of the paid exhibitions programme. Furthermore, the improved booking system has also brought additional benefits for the Public Programme team who have seen that attendance at their events has increased and the audience has broadened. Visitors can also become a "friend" online, or simply make a donation, which the old website did not allow.

Since its launch the website has seen a significant increase in new users, with the average session duration increasing by over 10%. The website's capability to embed YouTube videos means that there has also been a marked increase in subscriptions to the Collection's YouTube channel.

The Smartify app, launched in September 2017, continues to inform and educate our visitors. Initially the app was only available for use with the Collection's paintings; however in the past year the content has been expanded to include 3D objects in the galleries. Feedback from visitors regarding Smartify continues to be positive.

Social media represents an important part of digital engagement with the Collection's existing audience and a critical tool in reaching new, and often younger, audiences. The combined total of followers across the three platforms of Twitter, Facebook and Instagram reached 188,560 by March 2019. This represents an increase of 12% on figures at March 2018. The increase was largely led by Instagram, growing from 50,000 to over 60,000 followers in the year.

The ongoing work to have a digital image of every item in the Collection continues; making this increasingly available online is a priority for the Collection. A new photographic studio to assist in this endeavour was built as part of the redevelopment of the conservation studios.

The Development team launched the Collection's first ever crowd-funding venture in collaboration with Art Happens. The target of £17,500 needed to restore two Canaletto paintings was raised in just over three weeks.

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Laying a strong financial foundation for the future

The Grant-in-Aid received from DCMS is of great importance in helping the Collection create and maintain a strong financial foundation. However, to realise our ambitions and objectives, the Museum needs simultaneously to continue to increase and diversify self-generated income and 2018-19 has been a successful year in this regard.

Although the Development team just missed their revenue target for the year, this is perhaps not unexpected given the uncertain times and the decrease in visitor numbers. The team notably raised £0.9m for the endowment fund.

Benefactors and Friends events continue to play an important part in building a relationship with individuals and in providing greater engagement with the Wallace Collection and other galleries and museums than would otherwise be possible. The popularity of these events is growing and include early morning private tours, an 'open house' in collaboration with Garsington Opera, a Gold Box handling session, and an evening looking at rare books in the Collection's library. The two benefactor trips, to Paris and St Petersburg, were particularly popular.

Revenue for the Events team was very slightly lower in 2018-19 than in the previous year; however the department has successfully diversified their client base with an increase in private clients (including weddings). This achievement is significant as many corporate clients are currently facing budget pressures and there has been a reduction in the number of higher-value corporate bookings over the last twelve months. Recognising that the events market in London is very competitive, the team continues with its efforts to diversify its income streams further, including marketing Hertford House as a location for filming and photographic shoots.

Following a challenging year in 2017-18 the performance of the Retail operation has improved significantly. Despite a reduction in floor space, and lower visitor numbers, the shop sales increased year-on-year by over 15%. The reduction in the size of the shop requires fewer retail staff which, with a renewed focus on improving gross profit margins, resulted in a significant increase in the net profit of the department. Online sales have continued to grow and this year saw a 40% increase in online sales helped by our new website.

Embarking upon a capital investment programme to transform visitor experience

Following £1m capital funding received from DCMS in 2017-18, a number of upgrades were made to the Collection's environmental controls and security infrastructure and, although the work was completed by the end of the previous financial year inevitably there has been a period of adjustment. The recent work to the Collection's air handling and Building Maintenance systems has significantly improved control over temperature and humidity in the galleries.

Following an independent review of security systems and procedures, a substantial upgrading of systems has taken place to reflect advances in technology (e.g. CCTV has been moved to a digital platform). Procedures have been reviewed and are being updated and implemented.

The new temporary exhibition gallery opened in June, on time and under budget. The relocation of the photographic studio and the refurbishment of the conservations studio on the third floor were completed later in the year, but also within budget.

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In August 2018 a small piece of masonry fell from the front section of the portico of Hertford House (no injury occurred). Investigations performed by the structural engineers discovered that the one of the steel beams supporting the portico had deteriorated, causing cracks to appear in the masonry. A temporary treatment was applied to the damaged beams, however at least one of the beams will need to be replaced within the next twenty-four months. This work is expected to be completed in summer 2019.

Operating in a heritage listed building brings challenges, particularly when facing increasing pressure on physical space. Recent years have seen major refurbishment projects of the first floor rooms and galleries of Hertford House, however to date little has been done to rationalise the use of space on the ground and lower ground levels. With visitor numbers expecting to increase in the long term, more demand for education and community activities, the need to develop corporate and private event hires, pressure on facilities, together with a long overdue refurbishment of the ground floor rooms and galleries, there is a need to develop a cohesive masterplan and investment programme if the Collection is to meet its own objectives and the expectations of visitors, funders, supporters and donors.

The Collection's Senior Management Team has embarked on the process of developing a range of options for future capital investment in accordance with the Collection's stated objectives and funding has been secured to cover some initial staff costs.

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Financial Review

Financial results

The largest source of income in 2018-19 was Grant-in-Aid from the Department for Digital, Culture, Media and Sport. At £2.731m (2017-18: £3.711m) this represented 44% of the group's non-endowment income for the year (2018-19: 47%). The prior year Grant-in-Aid includes an additional £1m that the Collection received to fund specific capital projects in the year.

Other donations of £1.551m were £0.9m lower than the £2.416m achieved last year, however the prior year included £1.2m raised for the construction of the new exhibition space. There were no equivalent capital projects in this financial year. This year the Collection received £0.25m from the Wallace Collection in America (2017-18: nil).

Trading income remained relatively flat at £1.417m compared to £1.409m in 2017-18, largely owing to an improved performance from the Retail operations, which offset a slight fall in income for the Events business.

Expenditure increased from £6.825m in 2017-18 to £7.352m. Expenditure on raising funds increased from £1.473m in 2017-18 to £1.517m in 2018-19 due to one-off costs associated with holding the Buckingham Palace Gala. Expenditure on Charitable activities has increased to £5.835m from £5.352m in 2017-18. Expenditure on Conservation and Collections has increased from £1.698m in 2017-18 to £2.019m in the current year because of a number of funded conservation and curatorial projects.

The museum launched an endowment fund in 2015-16 and continued to build the fund in 2018-19 with further donations of £0.870m. The museum can use the income from this permanent endowment to support its unrestricted and restricted activities.

Investment policy and objectives

Following the establishment of the endowment fund, the museum has financial investments. The investment objectives are to achieve a minimum income yield of 3% and capital growth in real terms over the time horizon of the investment portfolio. There are no specific restrictions on asset types and investment structures subject to their suitability to the portfolio objectives. However, investments in hedge funds, derivative strategies, structured products, real estate and other alternative asset classes are to be considered in the context of the portfolio's long-term objectives and agreed in advance with the museum and its investment advisors. No direct investments are permitted in tobacco or armament companies.

Two investment fund managers, Rathbone Investment Management Limited and Troy Asset Management Limited, were appointed in 2015-16, with the guidance of investment advisors. There has been no change in fund managers during the year.

The total return on the portfolio for the year to March 2019 was 6.68%. The income return was 3.65% and the capital return was 3.03%. The total return exceeded the target of UK RPI plus 3% which was 5.5% in 2018-19. The 12-month income yield to March 2019 was 3.65%, which exceeded the income yield target of 3%.

Financial risks

The key financial risks to the museum continue to be maintaining and increasing income. This is needed to cover the relatively high costs of maintaining an historic listed building with the infrastructure required for the Collection and in order for the objectives of the museum to be properly funded. Furthermore, a large portion of the Collection's income is Grant-in-Aid from the Department for Digital, Culture, Media and Sport and there remains uncertainty around future Grant-in-Aid settlements beyond March 2021.

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Reserves policy

The reserves policy agreed by the Trustees is to hold unrestricted and undesignated reserves of between one and three months' expenditure with a target of 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 2019 of £1.047m (2017-18: £1.303m) represents cover of just over two months budgeted expenditure.

The Audit Committee reviews the reserves policy and makes recommendations to the Board of Trustees for its consideration when circumstances change significantly and at least annually.

Payment of creditors

During 2018–19, the Wallace Collection paid 96% of undisputed creditors within 30 days of receipt of an invoice (2017–18: 89%).

Performance

In addition to financial measures, the museum also continues to monitor performance against some key performance indicators, as agreed with its sponsor body DCMS and detailed below:

		2018-19	2017-18
Key performance indicators:			
	Number of visits to the museum	421,676	463,284
	Charitable giving (fundraising)	£2,406,000	£3,470,000
Other performance indicators:			
Access			
	Number of unique website visits	681,680	632,656
Audience profile			
	Number of visits by children under 16	17,594	20,370
	Number of overseas visits	122,286	186,240
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	9,070	8,910
	Number of instances of visitors under 18 participating in on site organised activities	10,192	11,980
Visitor satisfaction			
	% of visitors who would recommend a visit	93	91
	% of visitors who were very satisfied with their visit	90	90
Self-generated income			
	Trading income (net profit)	£619,000	£521,000

Sources of data

The museum measures these and other performance indicators and returns this data to DCMS periodically.

Visitor numbers are collected through an electronic counting device at the visitor entrance. Child visits are collected by a manual counting system. Education numbers are kept by the Education department for the sessions that they run. The website 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 reported in the accounts of our trading company, Hertford House Marketing Limited. All of these sources help the museum to monitor and report on its performance to DCMS on a regular basis.

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

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of HM 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 2015, Financial Reporting Standard 102, Charities Act 2011, Government Financial Reporting Manual 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) and the Wallace Collection in America Inc, as these are entirely separate organisations over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection's consolidated accounts for the year 2018-19. 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.

Fundraising Regulator

The Wallace Collection is registered with the Fundraising Regulator whose key function is to adjudicate on fundraising complaints. Fundraising for the Collection is performed entirely by the in-house development team and no external professional fundraisers are, or were in the past year, involved in any fundraising. There have been no complaints made to either the Collection directly or to the Fundraising Regulator about the Collection's fundraising practices. The Wallace Collection protects vulnerable people and other members of the public from unreasonable intrusion, in that it does not cold call, operate telephone fundraising, street fundraising, undertake direct marketing campaigns or exerts pressure on them to give money.

Staff and organisation

The Wallace Collection is an Equal Opportunity Employer and has agreed statements of policy under Section 2(3) of the Health and Safety at Work Act 1974. Senior officers meet weekly 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.

Sickness absence

Sickness absence accounted for 4.25% of all staff time during 2018–19 (2017–18: 3.85%), or 10.82 days per staff member (2017–18: 9.74 days). The management of sickness absence is a priority during the coming year.

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Trade Union Facility Time

In accordance with the Trade Union (Facility Time Requirements) regulations 2017, all entities are required to present information on trade union facility time in their organisations. Facility time is paid time off for union representatives to carry out trade union activities.

	2018-19	2017-18
Table 1: Relevant Union Officials		
Number of employees who were relevant union officials during the period	4	4
Full time equivalent employee number	4	4
Table 2: Percentage of time spent on facility time		
	No of Employees	No of Employees
0%	3	0
0-50%	1	4
51-99%	0	0
100%	0	0
Table 3: Percentage of pay bill spent on facility time		
Pay spent on facility time	£516	£1,189
Total wage bill	£3,557,000	£3,361,000
Percentage of facility time against total pay bill	0%	0%
Table 4: Paid union activities		
Paid union activities	0%	0%

Sustainability

The Museum is exempt from the requirement under the FReM (HM Treasury Financial Reporting Manual) to provide a sustainability report as it falls below the size threshold for reporting.

Dr Xavier Bray
Director and Accounting Officer

28 October 2019

António Horta-Osório
Chairman

28 October 2019

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Remuneration Report

The figures in the remuneration report are subject to audit.

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the museum. These members of staff 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 (2017–18: £Nil). The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team.

	Salary		Bonus		Pension benefits		Total	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Dr Xavier Bray Director	95-100	90-95	10-15	10-15	38	36	145-150	135-140
Derek Purnell Chief Operating Officer	70-75	65-70	-	-	-	-	70-75	65-70
Sarah Harmer Director of Development	70-75	70-75	-	-	-	-	70-75	70-75
Melanie Newlands Director of Finance and Commerce (from 2 January 2018)	60-65	10-15 (Full Year 60-65)	-	-	24	6	85-90	20-25
David Edgar Director of Finance and Operations (until 9 October 2017)	-	30-35 (Full Year 60-65)	-	-	-	17	-	45-50

The value of pension benefits 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.

No redundancy, severance or compensation payments were made to senior managers during 2018-19.

No senior managers were employed through an agency in 2018-19.

Sarah Harmer and Derek Purnell chose not to be covered by the Civil Service pension arrangements during the reporting year or the previous year. Both were members of the partnership pension account, which is a stakeholder pension arrangement provided by Scottish Widows. Details of the scheme are included in the 'pension benefits' section below.

The Wallace Collection Annual Report and Accounts 2018-19

	Accrued pension at pension age as at 31 March 2019 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2019 £000	Cash equivalent transfer value at 31 March 2018 £000	Real increase in CETV £000
Dr Xavier Bray Director	5-10	0-2.5	59	29	18
Melanie Newlands Director of Finance and Commerce	0-5	0-2.5	20	3	12

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

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

No benefits in kind or non-cash benefits of value were received by senior managers.

The banded remuneration of the Director in post at the end of the financial year was £110,000 to £115,000 (2017-18: £100,000-£105,000). This was 5.01 times the median remuneration of the workforce (2017-18: 4.81 times). The median total remuneration of the workforce in the current financial year was £22,440 (2017-18: £21,294). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. The change in banded remuneration between years arises due to a pay rise awarded to the Director in October 2018. This change is the primary reason for the increase in the multiple of median remuneration represented by the Director's remuneration.

The Director's performance-related bonus of up to 15% of salary 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 annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated. The current Director's contract commenced in October 2016 and is open-ended, with a notice period of thirteen weeks. The other senior managers are on permanent contracts with three-month notice periods.

The performance of staff is formally appraised annually with the Director conducting the appraisals of members of the Senior Management Team.

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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. There were no redundancies or off-payroll arrangements during the year.

Pension benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3.5% and 8.05% of pensionable earnings for classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for premium, classic plus, nuvos and all other members of alpha. 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 their 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted show pension earned in

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PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of the pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Dr Xavier Bray
Director and Accounting Officer

28 October 2019

António Horta-Osório
Chairman

28 October 2019

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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 Digital, Culture, Media and Sport with the consent of HM 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, of its financial position at the end of the year, and changes in funds and cash flows in the financial year.

In preparing the Wallace Collection's accounts, the Trustees and Accounting Officer are required to:

- observe the Accounts Direction* issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards and statements of recommended practices have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Wallace Collection will continue in operation.

The Accounting Officer for the Department for Digital, 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 *Managing Public Money*, issued by HM Treasury.

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 museum'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 museum'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.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Dr. Xavier Bray
Director and Accounting Officer

28 October 2019

António Horta-Osório
Chairman

28 October 2019

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

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Governance Statement

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 sponsored by the Department for Digital, 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 DCMS, rather than the Charity Commission.

The Wallace Collection is governed by a Board of Trustees answerable to the Secretary of State for Digital, 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 Permanent Secretary of DCMS 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 Permanent Secretary of DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the Museums and Galleries Act 1992, the role of the Trustees is 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; and
- Considering the remuneration of senior staff.

There are three sub committees of the Board: the Audit Committee, the Fundraising Committee and the Investment 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 International Council (concerned with fundraising). The Investment Committee was created following the setting up of the Endowment Fund and meets as necessary to appoint investment managers and review the performance of the investment funds and managers. It receives professional advice in support of its work.

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 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 Trustees believe that they have complied with their duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

Board effectiveness

The Board keeps its effectiveness under review. This includes appraisals of each Trustee by the Chairman and an appraisal of the Chairman by another member of the Board. The most recent assessment of Board effectiveness through a questionnaire concluded that the Board overall felt its effectiveness was either fully satisfactory or exceeded expectations.

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Wallace Collection Staff

The Director is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining the values of the Wallace Collection. He is assisted by the other members of the Senior Management Team who are the Chief Operating Officer, Director of Finance and Commerce, and Director of Fundraising. Each is supported by a number of department heads who are responsible for specific areas of activity within the museum. The Senior Management Team meets weekly and there is a monthly full staff meeting. The Director meets each member of the Senior Management Team on a regular 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.

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 2019, there were ten 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 DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

The Trustees appoint their own Chairman, who normally serves until retirement from the Board. The Chairman can resign as Chairman by notice in writing to the Board.

Trustees receive appropriate training on appointment, primarily through a programme of department visits and meetings with the Director and Senior Management Team. An introductory Trustees' Handbook of key documents and publications including the Corporate Plan, the Annual Report and Accounts, and the organisation chart is provided.

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

Compliance with Corporate Governance Code

The Wallace Collection is mindful of the Corporate Governance Code for central government departments and the Trustees are content that the museum complies as appropriate for a non-departmental public body.

Report from Audit Committee

The Audit Committee is responsible for reviewing the museum'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. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2017-18 and on planning for the 2018-19 audit. The internal auditor reported to the Committee on his findings and was able to provide the Committee and Trustees with significant assurance that the Collection generally has good controls; however, recommendations were made for a number of areas reviewed, with some controls requiring attention. The risk register was received and reviewed in its entirety during the course of the year.

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Report from Investment Committee

The Investment Committee kept the performance of the fund managers that it had appointed in 2015-16 under review. In carrying out its work, it received professional advice from investment advisors.

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 that would arise if the risk were actually to occur.

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

The museum works to meet the objectives set in the Aims, Objectives and Priorities section of this report and monitors progress against these objectives. The day-to-day risks associated with these activities are managed, challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

These risks, financial, reputational or otherwise, are recorded on, and managed, through a Risk Register. This was created by the SMT who also ensure it is regularly updated. The register is reviewed by the Audit Committee and considered by the Board. It covers the key risks that the Wallace Collection faces and assigns a key individual to manage each risk.

Risk management is therefore a 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 management and Trustee decisions.

Risk is not only limited to financial risk, where every new project is carefully costed, budgeted for and monitored, but also includes 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 consideration in meetings with relevant staff throughout the year. 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 2018–19 have continued to be:

- Managing the impact of the long term increase in visitor numbers whilst improving their understanding of the Collection;
- Planning for the future in a challenging funding environment; 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
- Balancing appropriately financial constraints and increasing pressure to expand services and maintain and improve the fabric of a Grade II listed building.

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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 museum to report on their work on a regular basis, and has also received 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.

Although the Wallace Collection has been borrowing objects for temporary exhibitions for several decades, in March 2019 the Board of Trustees received advice from Leading Counsel that it cannot safely borrow works of art and may be acting *ultra vires* in doing so. Counsel recommended that the Board approach the Charity Commission to seek an order under Section 105 of the Charities Act 2011 that would regularise borrowing objects. A Section 105 Order authorising borrowing was received from the Charity Commission in June 2019.

Whistleblowing Arrangements

The Collection upholds the core values detailed in the code of Professional Ethics of the Museums Association and actively promotes their implementation. In line with these commitments, the Collection encourages employees and others with serious concerns on any aspect of the Collections to come forward and voice those concerns, and expects its managers to encourage employees to express their views openly. The policy was reviewed by the Audit Committee in February 2019 and was found to be fit for purpose.

Data quality

The Board of Trustees have gained assurance that the data quality of the information it receives is sound through a mix of both internal and external audit work and its own challenge of the data presented.

Data handling

The Wallace Collection maintains a record of incidents involving the loss, unauthorised disclosure or unsecure disposal of personal data, the release of which risks causing harm or distress to the individuals concerned. The incident record includes the nature of the incident, the nature of the data involved, the number of people potentially affected and the steps taken to notify the individual concerned. Based on severity, these incidents are reported to the Information Commissioner's Office. There was one incident during the year involving disclosure of one employee's personal data to one person outside of the organisation which was reported to the ICO. The incident was investigated internally and appropriate controls have been put in place to minimise unauthorised disclosure risks in the future.

Dr Xavier Bray
Director and Accounting Officer

28 October 2019

António Horta-Osório
Chairman

28 October 2019

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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
António Horta-Osório	January 2015	Chairman	7/7
Marilyn Berk	9 January 2017	Member of the Audit Committee (4/4)	6/7
Jennifer Eady QC	6 January 2013 - reappointed 7 January 2017	-	6/7
Eric Ellul	9 January 2017	Member of the Audit Committee (2/4)	7/7
Dounia Nadar	9 January 2017		6/7
Jessica Pulay	6 January 2013 - reappointed 7 January 2017	Chair of the Audit Committee (4/4)	7/7
Jemima Rellie	9 January 2017	Member of the Audit Committee (3/4)	6/7
Kate de Rothschild Agius	6 January 2013 for five years - reappointed 6 January 2018	-	7/7
Dr Ashok Roy	6 January 2013 for five years - reappointed 6 January 2018	-	6/7
Timothy Schroder	6 January 2013 for five years - reappointed 6 January 2018	-	7/7

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 GCVO	Royal Patron
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The Audit Committee has two external independent members, Jim Close (attendance 4/4) and Martin James (attendance 4/4), in addition to the Trustees who are members.

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

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

Dr Xavier Bray	Director
Sarah Harmer	Director of Development
Melanie Newlands	Director of Finance and Commerce
Derek Purnell	Chief Operating Officer

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Directors of Hertford House Marketing Limited during the year

Dr Xavier Bray
Melanie Newlands

Bankers

Lloyds Banking Group
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
24 Red Lion Square
London WC1R 4AG

Investment advisors

Alvarium Investment Advisors (UK) Limited
10 Old Burlington Street
London W1S 3AG

Guggenheim Investment Advisors (Suisse) SA
8 rue St-Leger
1205 Geneva

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Annex B - Wallace Collection Endowment Donors and Benefactors 2018–19

The list below gratefully acknowledges all of the Donors to the Wallace Collection Endowment since its inception and all of those who have generously supported the Wallace Collection from 1 April 2018 to 31 March 2019.

Donors to the Wallace Collection Endowment

£1 million and above

The Monument Trust

The Michael and Nicola Sacher Charitable Trust
Albéric and Audrey de Montgolfier
Mr and Mrs Nadar
Sir John and Lady Ritblat
Robert de Rothschild
Sir Hugh and Lady Stevenson

£500,000 and above

Lionel and Ariane Sauvage

and

£100,000 and above

The Estate of Stanley Gordon Clarke
Sir Siegmund Warburg's Voluntary Settlement

Aberdeen Asset Management
Prince Aryn Aga Khan
Mr and Mrs Nicolas Cattelain
Mr and Mrs R. J. Elliott
Lt Cdr Paul Fletcher
The Geoffrey and Julian Agnew Charitable Trust
David and Janice Gu
Annika Lejeune
Lloyds Banking Group
Clare McKeon
Morgan Stanley
Mrs Anne Norman
Roslyn Packer AC
Jessica Pulay
Röbbig München
Richard Sachs
Adrian Sassoon
Timothy and Ellen Schroder
Tavolozza Foundation
UBS Group AG
Arend and Cecilia Versteegh
Andy Xue

£10,000 and above

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Alexis and Anne-Marie Habib Foundation
Mr Omar Ali & Mrs Saira Ali
Alvarium Guggenheim
Nada Bayoud and Andrew Wynn
Marilyn Berk
The Boston Consulting Group
Sir Francis Brooke Bt. & The Hon. Lady Brooke
Timothy and Andrea Collins
Michael and Angela Cronk
Mr and Mrs Michel David-Weill
Mr and Mrs Deschamps
The Desmond Foundation
Eric and Virginie Ellul
Mme Alice Goldet
António and Ana Horta-Osório
The John Armitage Charitable Trust
Christian and Florence Levett
The Lord Leonard and Lady Estelle Wolfson
Foundation
Lord and Lady Lupton

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Benefactors of the Wallace Collection

European Friends (£10,000 per annum)

Mr and Mrs Nicolas Cattelain
Eric and Virginie Ellul
Jacqueline and Marc Leland Foundation
Albéric and Audrey de Montgolfier

Director's Circle (£5,000 per annum)

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Nada Bayoud and Andrew Wynn
Marilyn Berk
Sir Bruce Bossom, Bt
Dame Vivien Duffield
Mme Alice Goldet
Russell and Irina Jacobs
Annika Lejeune
Lord and Lady Lupton
Clare McKeon
Mr and Mrs Nadar
Roslyn Packer AC
Dasha Shenkman OBE
Sir Hugh and Lady Stevenson

Conservator's Circle (£2,500 per annum)

Mr and Mrs Nick Barton
Joanna Hewitt
Mrs Patrick Lowther
Paul Rivlin
Timothy and Ellen Schroder
Rima Tatjana Shour

Curator's Circle (£1,500 per annum)

Julian Agnew

Mr James and Lady Emma Barnard (The BARNES
Trust)
Nicholas Berwin
Mrs Charles H. Brown
Ian Butchoff
Peter and Sally Cadbury

Christie's
Christopher Clarke
Oliver and Cynthia Colman
Michael and Angela Cronk
Mrs M. David-Weill
Ms Jennifer Eady Q.C.
Phil and Lucy Elder
Mr and Mrs R. J. Elliott
Lt. Cdr. Paul Fletcher
Sam Fogg Esq.
Joscelyn Fox
Thomas and Elsebeth Gatacre
John and Patricia Glasswell
Rima Hakim-Connelly
Mr and Mrs Rupert Hambro
Katrin Henkel
Mr and Mrs Hubbard
Hugh Hudson-Davies
The John Armitage Charitable Trust
James and Clare Kirkman
David Lawson
The Loveday Charitable Trust
Mrs Annie Mackeson-Sandbach
Richard Mansell-Jones
Hugh and Victoria Merrill
Suzie Newman
The Lord and Lady Phillimore
Jessica Pulay
Jonathan Refoy
Philip and Sarah Richards
Richard Sachs
Anthony and Jacqueline Todd
Mark Van Oss
Bruno Wang
Alan and Sue Warner

Young Benefactors (£750 per annum)

The Hon Clarence Tan

Companions (£600 per annum)

Viscountess Bridgeman, The Bridgeman Art
Library
Mr Charles Cator
Lord Cholmondeley
Dee Singh Datta

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Companions (£600 per annum) continued

Mr Patrick K. F. Donlea FCA

Giles Ellwood and Philippe Sacerdot

Jennifer Montagu

In memory of the late A V B Nick Norman

Matthew Olley

Christylle Phillips

Rosa Somerville

Patricia Wengraf Ltd.

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Annex C - Wallace Collection Other Donors and Supporters 2018–19

Supporters

A&O New Change Group
Kate de Rothschild Agius and Marcus Agius
Richard and Mara Aylmer
Nada Bayoud and Andrew Wynn
Mr and Mrs Nick Barton
Bloomberg L.P.
Etienne Breton/ Saint Honoré Art Consulting
Timothy and Andrea Collins
Centro de Estudios Europa Hispánica
Jim Daley and Alix Robson.
The Desmond Foundation
Ms Jennifer Eady Q.C.
Mme Alice Goldet
Mr and Mrs Rupert Hambro
Howard Ricketts Limited
Russell and Irina Jacobs; In honour of
Suzannah Jacobs' and Oliver Craig's
wedding 1/9/2019
KPB Corporation
Christian and Florence Levett - Mougins
Museum of Classical Art
The Loveday Charitable Trust
Manolo Blahnik International Ltd
Richard Mansell-Jones
Don and Lisa McGown
Mr and Mrs Nadar
Alberto and Roberta Nagel
Newman Family Foundation
Mervyn and Jill Parry
Pascal Zuber Art Conseil
Basil and Maria Postan
Philip and Sarah Richards
Adrian Sassoon
Bruno Schroder
Timothy and Ellen Schroder
Jake and Hélène Marie Shafran
Antonio Simoes
Sotheby's
Anne-Cecilie and Rob Speyer
Arend and Cecilia Versteegh

Trusts and Foundations

The Aldama Foundation
The Art Fund
The Austin and Hope Pilkington Trust
The BAND Trust
The Barbara Whatmore Charitable Trust
The Belvedere Trust
The Blunt Trust
City Bridge Trust
Colnaghi Foundation
The Elizabeth Cayzer Charitable Trust
The Excel Fund
Friends of the National Libraries
Nicholas and Judith Goodison's Charitable
Settlement
Horizon 2020, European Union
ICOM UK
The John Armitage Charitable Trust
The Jonathan Ruffer Curatorial Grants
programme
The Kirby Laing Foundation
The Leverhulme Trust
The Linbury Trust
The Lord Leonard and Lady Estelle Wolfson
Foundation
The McCorquodale Charitable Trust
The Ofenheim Charitable Trust
The William Arthur Rudd Memorial Trust
The Wolfson Foundation

The Wallace Collection Annual Report and Accounts 2018-19

The Collection is extremely grateful to those who over the past year have made donations to the Wallace Collection in America 501 (c)(3).

Christine and Max Ansbacher
Ambassador Victor Ashe
Susan Baker and Michael Lynch
Blavatnik Family Foundation
Mr and Mrs Frederick W. Beinecke
Michele Beiny Harkins
James and Debby Brice
Noreen and Kenneth Buckfire; In honour of
 Larry and Marilyn Friedland
Edward Lee Cave
Mrs M. David-Weill
The Hon Simon Eccles
Marilyn and Lawrence Friedland
Nancy L. and William P. Hallman, Jr
Dale and Elizabeth Hemmerdinger
Cecily Horton
Jacqueline and Marc Leland Foundation
Molly Lowell and David Borthwick
Whitney and Elizabeth MacMillan
Jim and Debbie Norling
Sophie and Christopher North
Timothy and Carol Rattray
Robert de Rothschild
Stanford and Sandra Warshawsky
Mr and Mrs Christopher Winn

And all those who wish to remain anonymous

The Wallace Collection Annual Report and Accounts 2018-19

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

Opinion on financial statements

I certify that I have audited the financial statements of The Wallace Collection for the year ended 31 March 2019 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated and Collection's Statements of Financial Activities, the Group and Collection Balance Sheets, the Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 2019 and of its net expenditure 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Wallace Collection in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Wallace Collection's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

The Wallace Collection Annual Report and Accounts 2018-19

Responsibilities of the Trustees and Accounting Officer

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Wallace Collection's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Wallace Collection Annual Report and Accounts 2018-19

Other Information

The Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report and Trustees' Report, Remuneration Report and Governance Statement, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report and Trustees' Report; and
- the information given in the Annual Report and Trustees' Report which I provide a positive consistency opinion on 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 parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; 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.

The Wallace Collection Annual Report and Accounts 2018-19

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

29 October 2019

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

The Wallace Collection Annual Report and Accounts 2018-19

Consolidated Statement of Financial Activities
for the year ended 31 March 2019

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2018-19 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2017-18 £000 Restated
Income and endowment funds from:									
Donations and legacies	2	722	829	870	2,421	540	1,876	1,054	3,470
Grant-in-Aid	2	2,731	-	-	2,731	3,711	-	-	3,711
Charitable activities	3	139	-	-	139	126	-	-	126
Other trading activities	14	1,417	-	-	1,417	1,409	-	-	1,409
Investments	4	189	154	-	343	128	147	-	275
Total		5,198	983	870	7,051	5,914	2,023	1,054	8,991
Expenditure on:									
Raising funds									
Fundraising	5	426	-	-	426	360	-	-	360
Marketing and design	5	314	-	-	314	256	-	-	256
Trading: cost of goods sold and other costs	14	777	-	-	777	857	-	-	857
Charitable activities									
Conservation	5	242	97	-	339	267	177	-	444
Collections		870	810	-	1,680	735	519	-	1,254
Security		1,742	-	-	1,742	1,618	-	-	1,618
Building and maintenance		1,219	855	-	2,074	1,295	741	-	2,036
Total		5,590	1,762	-	7,352	5,388	1,437	-	6,825
Net gains/(losses) on investments	8c	-	-	172	172	-	-	(158)	(158)
Net income/(expenditure)	7	(392)	(779)	1,042	(129)	526	586	896	2,008
Transfers between funds	12	-	-	-	-	-	-	-	-
		(392)	(779)	1,042	(129)	526	586	896	2,008
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		47	(128)	-	(81)	452	3,005	-	3,457
Net movement in funds		(345)	(907)	1,042	(210)	978	3,591	896	5,465
Reconciliation of funds									
Total funds brought forward		6,915	44,515	8,228	59,658	5,937	40,924	7,332	54,193
Total funds carried forward	12	6,570	43,608	9,270	59,448	6,915	44,515	8,228	59,658

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

The Group 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 43 to 56 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2018-19

Collection Statement of Financial Activities for the year ended 31 March 2019

	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2018-19 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2017-18 £000 Restated
Income and endowment funds from:								
Donations and legacies	1,331	829	870	3,030	1,061	1,876	1,054	3,991
Grant-in-Aid	2,731	-	-	2,731	3,711	-	-	3,711
Charitable activities	139	-	-	139	126	-	-	126
Other trading activities	456	-	-	456	572	-	-	572
Investments	187	154	-	341	128	147	-	275
Total	4,844	983	870	6,697	5,598	2,023	1,054	8,675
Expenditure on:								
Raising funds								
Fundraising	426	-	-	426	360	-	-	360
Marketing and design	314	-	-	314	256	-	-	256
Trading	435	-	-	435	551	-	-	551
Charitable activities								
Conservation	242	97	-	339	267	177	-	444
Collections	870	810	-	1,680	735	519	-	1,254
Security	1,742	-	-	1,742	1,618	-	-	1,618
Building and maintenance	1,219	855	-	2,074	1,296	740	-	2,036
Total	5,248	1,762	-	7,010	5,083	1,436	-	6,519
Net gains/(losses) on investments	-	-	172	172	-	-	(158)	(158)
Net income/(expenditure)	(404)	(779)	1,042	(141)	515	587	896	1,998
Transfers between funds	-	-	-	-	-	-	-	-
	(404)	(779)	1,042	(141)	515	587	896	1,998
Other recognised gains/(losses):								
Gains/(losses) on revaluation of fixed assets	47	(128)	-	(81)	452	3,005	-	3,457
Net movement in funds	(357)	(907)	1,042	(222)	967	3,592	896	5,455
Reconciliation of funds								
Total funds brought forward	6,882	44,516	8,228	59,626	5,915	40,924	7,332	54,171
Total funds carried forward	6,525	43,608	9,270	59,404	6,882	44,516	8,228	59,626

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

The museum 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 43 to 56 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2018-19

Balance Sheet at 31 March 2019

	Notes	Group 2019 £000	Group 2018 £000 Restated	Collection 2019 £000	Collection 2018 £000 Restated
Fixed assets					
Tangible assets	8a	48,725	48,944	48,712	48,924
Heritage assets	8b	82	82	82	82
Investments	8c	9,077	7,342	9,077	7,342
		<u>57,884</u>	<u>56,368</u>	<u>57,871</u>	<u>56,348</u>
Current assets					
Stock		247	206	66	88
Debtors	9	789	2,261	915	2,228
Cash at bank and in hand	13	1,279	1,535	995	1,379
		<u>2,315</u>	<u>4,002</u>	<u>1,976</u>	<u>3,695</u>
Liabilities					
Creditors					
Amounts falling due within one year	10a	(646)	(582)	(444)	(418)
Net current assets		<u>1,669</u>	<u>3,420</u>	<u>1,532</u>	<u>3,277</u>
Total assets less current liabilities		59,553	59,788	59,403	59,625
Creditors					
Amounts falling due after more than one year	10b	(105)	(130)	-	-
Net assets	11	<u>59,448</u>	<u>59,658</u>	<u>59,403</u>	<u>59,625</u>
Represented by:					
Unrestricted funds					
Designated funds	12	3,850	3,931	3,842	3,920
Unrestricted revaluation reserve	12	1,673	1,681	1,688	1,681
General funds	12	1,047	1,303	995	1,281
		<u>6,570</u>	<u>6,915</u>	<u>6,525</u>	<u>6,882</u>
Restricted funds					
Restricted income funds	12	34,567	35,346	34,567	35,346
Restricted revaluation reserve	12	9,041	9,169	9,041	9,169
		<u>43,608</u>	<u>44,515</u>	<u>43,608</u>	<u>44,515</u>
Total income funds		50,178	51,430	50,133	51,397
Endowment fund	12	9,270	8,228	9,270	8,228
Total funds	12	<u>59,448</u>	<u>59,658</u>	<u>59,403</u>	<u>59,625</u>

The notes on pages 43 to 56 form part of these financial statements.

Dr Xavier Bray
Director and Accounting Officer

28 October 2019

António Horta-Osório
Chairman

28 October 2019

The Wallace Collection Annual Report and Accounts 2018-19

Consolidated Statement of Cash Flows for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	13	<u>1,034</u>	<u>118</u>
Cash flows from investing activities:			
Dividends and interest from investments	4	343	275
Purchase of property, plant and equipment	8a	(940)	(1,601)
Purchase of investments	8c	(1,563)	(173)
Sale of investments	8c	-	-
Net cash provided by (used in) investing activities		<u>(2,160)</u>	<u>(1,499)</u>
Cash flows from financing activities:			
Receipt of endowment	2	<u>870</u>	<u>1,054</u>
Net cash provided by (used in) financing activities		<u>870</u>	<u>1,054</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents at beginning of the year		<u>1,535</u>	<u>1,862</u>
Cash and cash equivalents at end of the year		<u>1,279</u>	<u>1,535</u>

The notes on pages 43 to 56 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2018-19

Notes to the financial statements for the year ended 31 March 2019

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' (2015), the Charities Act 2011, the HM Treasury Financial Reporting Manual, the Accounts Direction given by the Secretary of State for Digital, Culture, Media and Sport and applicable accounting standards including Financial Reporting Standard 102.

The accounts are consolidated and include Hertford House Marketing Limited, a trading subsidiary, in which the Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal each.

b) Going concern

The accounts have been prepared on a going concern basis. There are no material uncertainties about the group's ability to continue as a going concern.

c) Income

Income is recognised when the museum becomes entitled to it, its receipt is probable and the amount can be measured reliably.

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

Grant-in-aid from the Department for Digital, 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 are recognised when the museum becomes entitled to the income, there is probability of receipt and the amount is quantifiable. 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.

Legacies are credited to income when the museum becomes entitled to the income, receipt is probable and the amount is quantifiable.

Investment income is recognised as an addition to unrestricted funds unless there is a restriction as to the use of the income. Restricted income is allocated to the restricted fund to which the income relates. Net gains or losses in the market value of investments are allocated to the endowment fund.

Donated services and goods are recognised as income and expenditure when the museum becomes entitled to them, receipt is probable and the amount can be measured reliably. The services and goods are valued at the price that the museum would have paid in the open market for services or goods of equivalent value.

d) Expenditure

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.

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

Support costs are apportioned between activities on the basis that are most appropriate to each category of support cost. These bases include the expenditure for each activity, the number of staff involved in each activity, and analyses of use by each activity.

The Wallace Collection Annual Report and Accounts 2018-19

e) Fund accounting

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.

The endowment fund comprises donations made on condition that the capital value of the donation is held in perpetuity. The income is allocated to the unrestricted or restricted funds in accordance with the wishes of the donor.

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.

The property, Hertford House, was transferred to the Trustees of the museum 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	- the structure is depreciated over 95 years; the fit out over 25 years and the associated plant over 20 years. The refurbishment of the Great Gallery is depreciated over 95 years.
Office equipment	- over four years (except Wallace Live which is depreciated over the expected remaining life of seven years)
Fixtures and fittings	- over four years (electrical equipment), ten years (other fixtures and fittings and security equipment) and 25 years (refurbishment projects).

Depreciation on additions is charged from the date of purchase. When the acquisition date is not identifiable a full year's depreciation is charged.

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

All material classes of fixed assets are revalued to current costs. A quinquennial valuation of land and buildings is carried out by a professional valuer. In the years between quinquennial valuations, appropriate indices are used to adjust the net book value of fixed assets. Impairment reviews are carried out where fixed assets show indications of potential impairments.

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 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'. Owing to this stipulation the Wallace Collection neither acquires nor disposes of works of art.

In the Trustees' opinion, 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. 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.

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.

The Wallace Collection Annual Report and Accounts 2018-19

h) Heritage assets (continued)

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 subsequent to the 1897 bequest. An accession register has been implemented for the Hertford House Historic Collection. Additions with a cost price in excess of £2,000 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.

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 Principal Civil Service Pension Scheme which is an unfunded, multi-employer, defined-benefit scheme. The Wallace Collection is unable to identify its share of the underlying liabilities. Additional details of the scheme are in Note 6b.

l) Financial instruments

Financial assets

The museum's financial assets include 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.

The museum also holds investments purchased using donations to its permanent endowment fund. These are included at market valuation.

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.

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, distributes 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.

o) Public benefit entity

The Wallace Collection is a public benefit entity and meets the public benefit requirement in the Charities Act 2011.

The Wallace Collection Annual Report and Accounts 2018-19

2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2018-19 £000	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2017-18
Donations	722	829	870	2,421	540	648	1,054	2,242
Other capital income	-	-	-	-	-	1,228	-	1,228
	<u>722</u>	<u>829</u>	<u>870</u>	<u>2,421</u>	<u>540</u>	<u>1,876</u>	<u>1,054</u>	<u>3,470</u>

Unrestricted donations include £37,000 of pro bono investment and legal advice (2017-18 £56,000). The matching expenditure has been included in fundraising costs.

Grant-in-Aid of £2,731,000 (2017-18 £3,711,000) was received from the Department for Digital, Culture, Media and Sport of which £287,000 (2017-18 £1,287,000) was for capital purposes.

3. Income from charitable activities

	2018-19 Unrestricted £000	2017-18 Unrestricted £000
Study days and art activities	33	30
Tours and filming	22	39
Miscellaneous other income	84	57
	<u>139</u>	<u>126</u>

4. Income from investments

	Unrestricted £000	Restricted £000	Total 2018-19 £000	Unrestricted £000	Restricted £000	Total 2017-18 £000
UK investment funds	48	41	89	39	47	86
Fixed interest bonds	27	24	51	15	19	34
UK equities	69	59	128	49	60	109
Overseas equities	31	27	58	15	18	33
Infrastructure and property	3	3	6	3	3	6
Interest receivable	11	-	11	7	-	7
	<u>189</u>	<u>154</u>	<u>343</u>	<u>128</u>	<u>147</u>	<u>275</u>

5. Expenditure

	Direct costs	Support costs	Deprec- iation	Total 2018-19	Direct costs	Support costs	Deprec- iation	Total 2017-18
Raising funds								
Fundraising	371	55	-	426	308	52	-	360
Marketing and design	272	42	-	314	215	41	-	256
Trading	704	70	3	777	781	72	4	857
Charitable Activities								
Conservation	298	41	-	339	395	49	-	444
Collections	1,500	180	-	1,680	1,084	170	-	1,254
Security	1,623	119	-	1,742	1,458	160	-	1,618
Building and maintenance	871	130	1,073	2,074	895	111	1,030	2,036
	<u>5,639</u>	<u>637</u>	<u>1,076</u>	<u>7,352</u>	<u>5,136</u>	<u>655</u>	<u>1,034</u>	<u>6,825</u>

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5b) Support costs breakdown by activity

	Governance £000	Human Resources £000	Finance & IT £000	Office Supplies £000	Director's Office £000	Total 2018-19 £000	Total 2017-18 £000
Raising funds							
Fundraising	2	1	19	3	30	55	52
Marketing and design	1	1	14	6	20	42	41
Trading	4	3	37	6	20	70	72
Charitable activities							
Conservation	1	2	15	3	20	41	49
Collections	7	6	76	9	81	179	170
Security	8	17	82	2	10	119	160
Building and maintenance	9	1	99	2	20	131	111
	<u>32</u>	<u>31</u>	<u>342</u>	<u>31</u>	<u>201</u>	<u>637</u>	<u>655</u>

Basis of allocation of support costs Expenditure Staff numbers Expenditure Estimated use Estimated use

6. Staff costs

6a)	2018-19 £000	2017-18 £000
Wages and salaries	2,880	2,708
Social security costs	248	234
Pension costs	429	419
	<u>3,557</u>	<u>3,361</u>
Temporary staff	163	120
	<u>3,720</u>	<u>3,481</u>

No staff costs were capitalised (2016-17: £nil).

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:

	2018-19	2017-18
£60,001 – £70,000	1	1
£70,001 – £80,000	2	1
£100,001 – £110,000	-	1
£110,001 – £120,000	1	-
	<u>4</u>	<u>3</u>

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6b) Pension costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS). The PCSPS and CSOPS - known as 'alpha' - are non-contributory and unfunded multi-employer defined benefit schemes but the Wallace Collection is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>).

For 2018-19, employers' contributions of £357,262 were payable to the PCSPS (2017-18: £344,198) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 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 £71,660 (2017-18: £75,057) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 0.5% 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 £6,236 (2017-8: £6,673). No contributions were prepaid at that date.

6c) Average number of employees

The average number of employees, across the reporting period and analysed by function, was:

	2018-19	2018-19	2017-18	2017-18
	Headcount	Full-time equivalent	Headcount	Full-time equivalent
Director's Office	2.0	2.0	1.8	1.8
Conservation	5.4	4.7	5.4	5.3
Collections	22.7	20.8	19.7	19.1
Security and Gallery	59.9	47.3	53.7	42.5
Building and Maintenance	2.0	1.5	1.5	1.5
Fundraising	4.3	4.3	4.0	4.0
Marketing and Design	3.0	3.0	3.0	3.0
Trading	8.8	8.5	12.7	11.7
Finance, HR and IT	4.7	4.4	5.3	4.7
	<u>112.8</u>	<u>96.5</u>	<u>107.1</u>	<u>93.6</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2017-18: £nil). No expenses were reimbursed to any Trustee (2017-18: £nil).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2018-19	2017-18
	£000	£000
External audit fees: NAO	20	22
External audit fees: trading subsidiary auditors	6	6
Other fees: trading subsidiary auditors	3	3
Internal Audit Fees	6	6
Operating lease rentals for the hire of plant and machinery	11	11

No fees were paid to the NAO for non-audit work.

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8a) Tangible fixed assets Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2018 Restated	45,908	6,600	895	1,266	54,669
Additions	804	43	93	-	940
Transfers	1,188	-	60	(1,248)	-
Revaluation	(113)	82	-	-	(31)
Balance at 31 March 2019	47,787	6,725	1,048	18	55,578
Depreciation					
Balance at 1 April 2018 Restated	2,037	2,847	842	-	5,726
Charge for the year	743	264	69	-	1,076
Revaluation	23	28	-	-	51
Balance at 31 March 2019	2,803	3,139	911	-	6,853
Net book value					
Balance at 31 March 2019	44,984	3,586	137	18	48,725
Balance at 31 March 2018 Restated	43,871	3,753	53	1,266	48,944

The net book value at 31 March 2019 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Charitable purposes	44,984	3,570	137	18	48,709
Trading activities	-	16	-	-	16
	44,984	3,586	137	18	48,725

The Wallace Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2018 Restated	45,908	6,565	861	1,267	54,600
Additions	804	43	93	-	940
Transfers	1,188	-	60	(1,248)	-
Revaluation	(113)	82	-	-	(31)
Balance at 31 March 2019	47,787	6,690	1,014	19	55,510
Depreciation					
Balance at 1 April 2018 Restated	2,037	2,831	808	-	5,676
Charge for the year	743	261	69	-	1,072
Revaluation	23	28	-	-	51
Balance at 31 March 2019	2,803	3,119	877	-	6,799
Net book value					
Balance at 31 March 2019	44,985	3,571	137	19	48,712
Balance at 31 March 2018 Restated	43,871	3,734	53	1,266	48,924

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

	2018-19 £000	2017-18 £000
Opening and closing balance	<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 subsequent to the 1897 bequest.

8 c) Investments

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
Market value at 1 April	7,342	7,327	7,342	7,327
Additions	1,563	173	1,563	173
Disposals	-	-	-	-
Net gain/(loss) on revaluation	<u>172</u>	<u>(158)</u>	<u>172</u>	<u>(158)</u>
Market value at 31 March	<u>9,077</u>	<u>7,342</u>	<u>9,077</u>	<u>7,342</u>

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
At market value:				
UK investment funds	2,084	1,989	2,084	1,989
Fixed interest bonds	827	642	827	642
UK equities	3,331	2,879	3,331	2,879
Overseas equities	1,982	1,503	1,982	1,503
Infrastructure and property	412	264	412	264
Cash	<u>441</u>	<u>65</u>	<u>441</u>	<u>65</u>
	<u>9,077</u>	<u>7,342</u>	<u>9,077</u>	<u>7,342</u>
At cost	<u>8,378</u>	<u>6,835</u>	<u>8,378</u>	<u>6,835</u>

All investments are stated at fair value at 31 March 2019. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for other investments are based on recent valuation reports.

Cash held in investments is not available for use to further charitable activities as it forms part of the permanent endowment fund from which only the income is available for charitable activities.

9) Debtors

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
Trade debtors	332	246	195	26
Other debtors	63	24	63	24
VAT debtors	42	275	93	301
Amount due from subsidiary	-	-	250	189
Prepayments and accrued income	<u>352</u>	<u>1,716</u>	<u>314</u>	<u>1,688</u>
	<u>789</u>	<u>2,261</u>	<u>915</u>	<u>2,228</u>

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

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10a) Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
Trade creditors	166	98	152	95
Taxation and Social Security	111	103	111	103
Accruals	190	206	172	196
Deferred income	170	168	-	17
Other creditors	9	7	9	7
	<u>646</u>	<u>582</u>	<u>444</u>	<u>418</u>

10b) Creditors: amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
Deferred income	<u>105</u>	<u>130</u>	<u>-</u>	<u>-</u>

The movement on the deferred income account (in total for amounts due within and in more than one year) is as follows:

	Group 2019 £000	Group 2018 £000	Collection 2019 £000	Collection 2018 £000
Deferred income at 1 April	298	325	17	57
Released from previous year	(168)	(281)	(17)	(57)
Deferred in current year	145	254	-	17
Deferred income at 31 March	<u>275</u>	<u>298</u>	<u>-</u>	<u>17</u>

Collection deferred income relates to a grant received in advance and income from benefactors. Group deferred income also includes income relating to events taking place in subsequent periods.

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11. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2019 £000
Fixed assets	5,523	43,284	9,077	57,884
Current assets	1,798	324	193	2,315
Current liabilities	(646)	-	-	(646)
Liabilities due after one year	(105)	-	-	(105)
Total net assets	6,570	43,608	9,270	59,448

12. Consolidated statement of funds

	Balance at 1 April 2018 Restated £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2019 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,919	-	(255)	-	174	3,838
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,681	-	-	47	(55)	1,673
General funds	1,303	5,198	(5,335)	-	(119)	1,047
Total unrestricted funds	6,915	5,198	(5,590)	47	-	6,570
Restricted funds						
Capital reserve (c)	34,175	-	(821)	-	819	34,173
Heritage assets (d)	70	-	-	-	-	70
Revaluation reserve	9,169	-	-	(128)	-	9,041
Conservation projects (e)	8	196	(137)	-	-	67
Education fund (f)	74	175	(203)	-	-	46
Infrastructure fund (g)	865	-	(20)	-	(819)	26
Publication fund (h)	3	-	-	-	-	3
Archive and library fund (i)	46	-	(14)	-	-	32
Curatorial projects (j)	105	507	(429)	-	-	183
Collection Services fund (k)	-	-	-	-	-	-
Gallery refurbishment (l)	-	68	(48)	-	-	20
Educational and research fund (m)	-	37	(37)	-	-	-
Temporary Exhibition infrastructure (n)	-	-	(53)	-	-	(53)
Total restricted funds	44,515	983	(1,762)	(128)	-	43,608
Endowment fund	8,228	870	-	172	-	9,270
Total funds	59,658	7,051	(7,352)	91	-	59,448

a) The capital projects fund comprises the net book value of the museum's tangible 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 museum's tangible fixed assets purchased using 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.

f) The education fund assists with the cost of the museum's education department.

g) The infrastructure fund represents those restricted funds specifically raised for infrastructure projects.

h) The publication fund reflects donations towards the museum's scholarship activities.

i) The archive and library fund holds income from the endowment fund restricted to that work and other donations for archival work.

j) The curatorial fund is for donations towards curatorial purchases and activities.

k) The Collection Services fund is for donations for exhibitions and other work by the department.

l) The gallery refurbishment fund represents those restricted funds specifically raised for that purpose. The transfer relates to the restricted element of the works under construction during the year.

m) The educational and research fund is for activities in those areas which are supported by Endowment Fund income.

n) The temporary exhibition infrastructure fund is for the ticketing and other infrastructure costs associated with starting a paid exhibition programme. The grant to fund this work is conditional and as at March 2019 the full conditions had not been met. The conditions were met post year end and the grant received in full.

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13. Reconciliation of consolidated net (expenditure)/income to net cash inflow from operating activities

Notes	2018-19 £000	2017-18 £000
Net income/(expenditure) for the year (as per the statement of financial activities)	(1,171)	1,113
Adjustments for:		
Depreciation charges	8a) 1,076	1,034
Dividends and interest from investments	4 (343)	(275)
(Increase)/decrease in stock	(39)	93
Decrease/(increase) in debtors	9 1,472	(1,828)
(Decrease)/increase in creditors	10 39	(19)
(Decrease)/increase in provisions	11 -	-
Net cash provided by (used in) operating activities	<u>1,034</u>	<u>118</u>
	Group	Group
	2019	2018
	£000	£000

Analysis of cash and cash equivalents

Cash in hand	<u>1,279</u>	<u>1,535</u>
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14. Hertford House Marketing Limited

The Wallace Collection owns the whole of the issued share capital of two 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. The museum's Director was a director throughout the year.

Statement of comprehensive income

	2018-19 £000	2017-18 £000
Turnover	1,417	1,409
Cost of sales	<u>(207)</u>	<u>(206)</u>
Gross profit	1,210	1,203
Administrative expenses	<u>(593)</u>	<u>(683)</u>
Operating profit	617	520
Interest receivable	<u>2</u>	<u>1</u>
Profit on ordinary activities before gift aid payment	<u>619</u>	<u>521</u>

The profit of £618,000 (2017-18 £521,000) was distributed under gift aid to the Wallace Collection.

Reconciliation to the Consolidated Statement of Financial Activities

	2018-19 £000	2017-18 £000
Cost of sales	207	206
Administrative expenses	<u>593</u>	<u>683</u>
Gross Profit	800	889
Less: intercompany sales	<u>(23)</u>	<u>(32)</u>
Per Consolidated Statement of Financial Activities	<u>777</u>	<u>857</u>

Balance sheet

	2019 £000	2018 £000
Tangible fixed assets	16	19
Current assets	620	509
Current liabilities	(501)	(378)
Liabilities due after one year	<u>(105)</u>	<u>(130)</u>
Net assets	<u>30</u>	<u>20</u>
Share capital	-	-
Reserves	<u>30</u>	<u>20</u>
Net assets	<u>30</u>	<u>20</u>

The Current Assets include stock of £180,713 (2017-18 £117,755).

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15. Financial commitments

At 31 March 2019, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2019 £000	2018 £000
Not later than one year	11	11
Later than one year and not later than five years	27	37
Later than five years	-	-
Total	<u>38</u>	<u>48</u>

Hertford House Marketing Limited has no such financial commitments.

16. Financial instruments

FRS 102 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.

Many of the museum's 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. However, the museum holds fixed asset investments following the establishment of its permanent endowment fund in 2015-16 and is exposed to market risk on these. It seeks to manage this risk through the use of professional investment advisors and fund managers.

Liquidity Risk

Approximately 44% (2017-18: 47%) of the museum's non-endowment income was provided as Grant-in-Aid from the Department for Digital, Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant-in-Aid received from the Department of Digital, 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. The museum's current 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 relatively small proportion of income £9,000 (2017-18: £7,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

17. Capital commitments

At 31 March 2019, capital expenditure commitments were as follows:

	2019 £000	2018 £000
Authorised by the Trustees and contracted for	<u>-</u>	<u>557</u>

The Capital Commitment in 2018 relates to the construction costs of the temporary exhibition space in Hertford House. Work was started in January 2018 and completed in June 2018.

18. Related party transactions

The Wallace Collection is a Non-Departmental Public Body whose sponsoring body is the Department for Digital, 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.

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18. Related party transactions (continued)

Related party	Nature of relationship	Grants or	Purchases	Outstanding
		donations received £000	£000	balance at 31 March 2019
British Library	DCMS funded body	-	6	1
British Museum	DCMS funded body	-	1	-
Imperial War Museum	DCMS funded body	-	1	-
Science Museum	DCMS funded body	-	1	-
Wallace Collection Foundation (formerly Hertford House Trust)	The Director is an ex officio trustee* of the Wallace Collection Foundation.	129	-	204
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group	The Lloyds Bank Group has acted as the Wallace Collection's bankers for many years on normal business terms.		
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group	2		
Wallace Collection Foundation (formerly Hertford House Trust)	António Horta-Osório is an ex officio trustee* of the Wallace Collection Foundation.	129	-	204
BCG	Eric Ellul is Senior Partner and Managing Director of BCG	15	-	-

* With reduced voting rights

Wallace Collection in America, Inc

The Wallace Collection in America, Inc (WCiA) is a US tax-exempt organisation under section 501(c) (3) of the US Internal Revenue Code. It is incorporated in the State of Delaware. The objectives of the WCiA are to educate the public about art in general and to raise awareness among Americans and others about the activities and collections of the Wallace Collection. It is able to make grants to the Wallace Collection and other organisations in pursuit of these objectives.

The WCiA has a board of three directors. One of the three directors is a Trustee at the Wallace Collection.

During the year grants of £249,909 (2017-18 £nil) were made to the Wallace Collection. At 31 March 2019, the WCiA had net assets of £183,940 in the form of cash at bank (2017-18 £203,856)

The WCiA has not been consolidated in the group accounts of the Wallace Collection as the Wallace Collection did not exercise control during the period.

No Trustees or staff member obtained any personal benefit from the transactions disclosed above and no Trustee and 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. Donations received from Trustees and their close family members in the year were £67,098 including gift aid (2017-18: £56,089). Donations received without conditions from Trustees and other related parties totalled £211,098 (2017-18: £323,273). The Chairman hired the Great Gallery for a private evening event and the transaction was on arm's length terms (£16,000).

Compensation for key management personnel has been disclosed in the remuneration report.

19. Contingent liabilities

There were no contingent liabilities as at 31 March 2019 (2018: Nil).

20. Post balance sheet events

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

There were no reportable events between the balance sheet date and the date the accounts were authorised for issue.

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21. Prior year adjustments

As set out in note 8a the Wallace Collection is housed in Hertford House, Manchester Square, London, W1U 3BN. The freehold property comprising the Wallace Collection was valued as at 31 March 2015 by an external valuer, Gerald Eve LLP. The next full valuation will take place in March 2020.

Between the full quinquennial revaluations the land and building are revalued on an annual basis using appropriate indices. The index previously used for the land element of Hertford House is no longer considered appropriate and, as a result, the Collection instructed Gerard Eve to perform full land valuations as at March 2018 and March 2019, and the prior year results have been restated to provide a consistent presentation. For March 2017 an appropriate index has been used. The accounting impact of the change in revaluation amounts is as follows:

Statement of Financial Activities	Unrestricted Funds	Restricted Funds	Endowment Fund	Total 2017-18
	£000	£000	£000	£000
Total fund brought forward as previously stated (2017-18)	5,937	42,276	7,332	55,545
Opening balance restatement		(1,352)		(1,352)
Total fund brought forward restated (2017-2018)	<u>5,937</u>	<u>40,924</u>	<u>7,332</u>	<u>54,193</u>
Net movement in funds as previously stated (2017-18)	978	3,359	896	5,233
Revaluation restatement		232		232
Net movement in funds restated (2017-18)	<u>978</u>	<u>3,591</u>	<u>896</u>	<u>5,465</u>
Total Funds carried forward as previously stated (2017-18)	6,915	45,635	8,228	60,778
Total Funds carried forward as restated (2017-18)	6,915	44,515	8,228	59,658
Balance Sheet		Balance Sheet as previously stated March 2018	Revaluation restatement	As restated March 2018
Fixed Assets				
Tangible Assets		50,064	(1,120)	48,944
Heritage Assets		82	-	82
Investments		7,342	-	7,342
		<u>57,488</u>	<u>(1,120)</u>	<u>56,368</u>
Total Assets less Current Liabilities		60,908	(1,120)	59,788
Net Assets		<u>60,778</u>	<u>(1,120)</u>	<u>59,658</u>
Represented by:				
Restricted revaluation reserve		10,289	(1,120)	9,169
Total Restricted Funds		<u>45,635</u>	<u>(1,120)</u>	<u>44,515</u>
Total Funds		<u>60,778</u>	<u>(1,120)</u>	<u>59,658</u>

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