

MUSEUMS AND GALLERIES ACT 1992

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The Wallace Collection Annual Report and Accounts 2005-2006

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Annual Report

Background information

The Wallace Collection was formed in the nineteenth century by successive Marquesses of Hertford and by Sir Richard Wallace (the illegitimate son of the fourth Marquess), whose widow bequeathed it to the Nation in 1897 to be preserved as a national museum “unmixed with other works of art”. The Collection contains paintings of the British, Dutch, French, Italian and Spanish schools, miniatures, sculpture, French furniture and porcelain, European and Oriental arms and armour, goldsmiths’ work and ceramics; in each field the works of art are of the highest quality. It opened as a museum on 22 June 1900. Admission is free.

A Treasury Minute of 28 July 1897 appointed the first Board of Trustees which acts on the authority of a Declaration of Trust dated 27 July 1899, and of the Museums and Galleries Act 1992, which specifies the Board’s general function to maintain, exhibit and grant access to, and promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Collection rests with the Secretary of State for Culture, Media and Sport, from whom the Collection receives a Grant-in-Aid out of monies provided by Parliament.

The Collection is a Non-Departmental Public Body of the Department for Culture, Media and Sport. Its current Trustees are appointed by the Prime Minister and are listed at Annex A (on page 31). The Board of Trustees meets not less than four times a year as does the Audit Committee (a sub-committee of the Board).

The Collection is located at Hertford House, Manchester Square, London, W1U 3BN; this was one of the Hertford-Wallace residences and is a Grade II listed building in the West End of London. The Collection is a charity exempt from registration under the provisions of the Second Schedule to the Charities Act 1993. It has a wholly-owned subsidiary, Hertford House Marketing Limited whose results are consolidated with The Collection’s results for the purpose of these accounts.

Objectives

The principal aim of the Wallace Collection is one of stewardship: to safeguard this unique and varied Collection, making it accessible for the present and preserving it for future generations. To achieve this, the Trustees’ subsidiary aims are:

- To preserve the Collection and Hertford House for future generations to enjoy in accordance with the bequest of Lady Wallace, retaining the essential character of a family house;
- To maintain and develop the quality of scholarship and practical skills of the curatorial, conservation, education and library/archival staff;
- Through the content and the quality of the Collection and by nurturing expertise, to continue as a centre of excellence, at home and internationally, in Eighteenth Century fine and decorative arts and Nineteenth Century collecting;

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So that it may achieve the following:

- To make each object communicate its special properties to the viewer through physical, intellectual and sensory access; to provide the appropriate atmosphere and ambience and the information and education necessary to bring the object to life for every visitor. “To see not with, but through, the eye”;
- We want the public to see the connections between ordinary objects in use throughout the world today and the Collection’s extraordinary objects which, though more elaborate, have the same purpose as those at home. *To take people on the journey from the ordinary to the extraordinary;*
- To show that the works of art in the Collection transcend racial boundaries and are part of the cultural history of everyone who lives in this country. We seek to encourage a sense of identity with, and sharing of, some of mankind’s greatest creations;
- For those who are physically or mentally unable to participate in one facet of the Collection there should always be an alternative. No disability should be a bar to enjoying the Collection;
- To encourage the habit of visiting museums and galleries among as wide an audience as possible by reducing any feeling of intimidation, increasing a sense of belonging and conveying the importance of *being there;*
- To build relationships with key communities;
- To make the best and most sympathetic use of new technologies to disseminate the understanding and appreciation of the Collection, both in terms of its objects and the full range of its activities;
- To develop strong and forward-looking managers who can create and motivate each member of staff to contribute to, and achieve, the Collection’s objectives; and
- Through income-generating activities which draw on and complement the essence of the Collection to reduce dependence on central government support.

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The Collections

The works of art in the Collection comprise:

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

These objects (5,466 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. Although it is probably best known for its magnificent eighteenth-century French paintings, porcelain and furniture, the Wallace Collection also displays many other treasures, such as paintings by Titian, Rembrandt, Rubens and Frans Hals (*The Laughing Cavalier*). There is also the finest collection of princely arms and armour in Britain, as well as choice and opulent displays of gold boxes, miniatures, sculpture and medieval and Renaissance works of art such as maiolica, glass and Limoges enamels. Every area of the Collection contains works of art of the very highest quality.

Hertford House, which was one of the Hertford-Wallace residences, is a Grade II listed building in the West End of London.

Structure, Governance and Management

The Organisational Structure

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

The only Trustee sub-committee is the Audit Committee.

The group of senior managers reporting to the Director within The Wallace Collection is the Senior Management Team. This group is made up of the three Assistant Directors of The Wallace Collection, responsible for the three distinct areas of Collections, Development and Marketing and Finance and Operations. The Senior Management Team is accountable to the Board of Trustees and DCMS. It is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining The Wallace Collection values.

Each Assistant Director is supported by a number of Department heads who are responsible for discrete areas of activity within the Collection. These managers meet on a monthly basis.

Trustee Appointments

The minimum number of Trustees is set at six, and although there is no maximum, numbers have increased over time from seven to eleven. Trustees are appointed by the Prime Minister. The Chairman recommends nominees, no fewer than two at a time, to the DCMS and No 10 after consultation with the other Trustees and the Director. 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.

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.

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Trustees receive appropriate training on appointment, including receipt of a detailed Handbook setting out their responsibilities.

Volunteers

The Wallace Collection each year has a small number of opportunities for volunteer and intern positions. These vital volunteers help in curatorial and conservation departments. The Wallace Collection also has a long tradition of using highly knowledgeable guide lecturers to take group tours of the collection. We would not be able to function as effectively or inform the public so well without the support of these selfless individuals.

Relationship between the Charity and Related Parties

The Wallace Collection is an executive Non Departmental Public Body whose parent body is DCMS. DCMS is regarded as a related party. Details of related party transactions are contained in note 23 to the Accounts.

Review of the Year

Curation

Members of the Wallace Collection's curatorial staff are responsible for the care and display of the works of art in the Collection. They also offer their scholarly expertise, they research and publish the works of art and they enable the public to understand and enjoy them more. Curators represent the Collection on outside bodies and are from time to time called on to act as expert advisers for Acceptance-in-Lieu cases, private treaty sale or export licence applications.

Galleries

This year saw a number of major moves in the Galleries. The previous year had seen the re-hanging of much of the Collection for the Francois Boucher exhibition. This year saw the completion of that exhibition and an equal amount of upheaval moving everything back again. This work took just over six weeks of time for a team made up of Curatorial, Conservation and Gallery Team staff.

In the course of the re-hang, the fragile state of part of the cornice of the West Room became evident. This led to some urgent remedial work on the cornice and ceiling of that room.

The second half of the year saw the closure for extensive refurbishment of the Study and Oval Drawing Room. This six-month project saw the stripping of these rooms, and then re-installation of new light fittings, wall silks, curtains and decorative features. The rooms were handed back by the contractors just before the year-end. This was then followed by very careful re-dressing of the rooms with the Study taking on a Marie-Antoinette theme, and the Oval Drawing Room taking on a decadent Boucher inspired theme. The Oval Drawing Room also now contains some of our most prominent paintings including Fragonard's *The Swing*. The formal opening subsequently happened on the 14th June

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2006, where the results were universally admired.

This project was only Phase I of a much longer project aimed at refurbishing the other galleries that had not been touched in the last twenty-five years. Phase II will happen in 2006-07 with the refurbishment of both the Large and Small Drawing Rooms.

Our special gallery display on Marie-Antoinette also generated an excellent critical response and proved very popular with visitors. This brought together a large number of works of art and furniture with links to Marie-Antoinette and her reign in one of the East Galleries.

The lighting in the Temporary Exhibition Galleries was also improved in year. The blinds in the Galleries around the Sculpture Garden were also updated.

Exhibitions

The full list of Temporary Exhibitions shown during 2005-06 is at Annex C (on page 35).

The year started with the tail-end of *Boucher: Seductive Visions*. The Wallace Collection has the greatest collection of Boucher's pictures in the world which owing to the terms of Lady Wallace's will could not be lent and so were only cursorily considered in previous retrospectives of the artist's work. In certain cases this had led to a serious undervaluing of the artist's formal achievement. This year the Wallace Collection spectacularly rectified this situation by re-hanging the Great Gallery, for the first time in the 131-year history of this space, in celebration of the achievement of a single artist. The ease with which Boucher's monumental canvases dominate the vast space of the Great Gallery amply demonstrated the sheer visual power and élan of Boucher's work.

The start of the year also saw the main exhibition being accompanied by *Boucher: Seductive Revisions*. This exhibition showcased a selection of works of art chosen by Emmajane Lawrence and Jo Hedley from the Boucher-inspired works produced by the various groups (ranging from Chelsea School of Art to Homeless Artists) participating in the varied education programs devised to accompany the Boucher exhibitions.

Francois Boucher was always going to be a hard act to follow, but we were fortunate to be able to utilise our partnership with Compton Verney to bring together an outstanding array of paintings and drawings by the great seventeenth-century painter *Salvator Rosa* (23 June ~ 18 September 2005). The exhibition contained nine oil paintings, plus drawings and prints, all by Rosa himself. Loans came from the National Gallery, the British Museum, the National Gallery of Scotland, Chatsworth and elsewhere. The Wallace Collection owns one of his greatest masterpieces: *River Landscape with Apollo and the Cumaean Sibyl*.

Dancing to the Music of Time: The Life and Work of Anthony Powell (3 November 2005 - 5 February 2006), curated by Jeremy Warren, was a resounding success, bringing a new and enthusiastic audience to the Wallace Collection. Powell is best known for his twelve-

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novel sequence *A Dance to the Music of Time* which took its title from Nicolas Poussin's great painting in the Wallace Collection. Anthony Powell loved the Wallace Collection and was a close friend of Sir Francis Watson who was a curator at the Collection from 1937 and Director 1963-74. This exhibition focused on Powell's life, his friends and contemporaries, and his career as a novelist and art collector. Among the objects on display were portraits of Powell and his friends and many original manuscripts and illustrations relating to *A Dance to the Music of Time*. Almost all the events run in conjunction with the exhibition have been well-attended, including the Anthony Powell Society Centenary Conference on 2-3 December, the lecture series organised with the *Times Literary Supplement* and the dramatised reading event *Art and Love* held on the evening of 3 December.

Our exhibitions *Great British Watercolours* and *The Founders of the Wallace Collection* opened on 2 March and ran until 14 May 2006. Both were drawn from the permanent collections and were curated by Stephen Duffy. The *Founders* show included a number of works of art recently acquired for the Hertford House Historic Collection, including several given by Mr and Mrs John Lewis. This exhibition was a re-run of the *Founders of the Wallace Collection* exhibition first held in 2000 to celebrate the completion of the Centenary Project.

Publications

The most important publication this year was the new Scala book on the Wallace Collection. A number of staff led by Stephen Duffy worked on its creation during much of the last year, and it was published just before Christmas. Lavishly illustrated, the book provides a wonderful demonstration of the riches and the range of the Wallace Collection and is intended to attract readers who want something more substantial than the general guide to the Collection.

A full list of publications written by Wallace Collection staff is at Annex B.

History of Collecting

The Wallace Collection continues to develop its role as an acknowledged centre for the study of the history of collecting, in particular collecting in London and Paris during the 18th and 19th centuries.

In 2005-06 six more of our popular History of Collecting seminars were held: François Marandet on French 18th-century dealers; Mariko Leino on the 17th-century Torinese collector Giacomo Arpino; Henrietta McCall on the 19th-century fashion for Egyptian Revival; Frank Hermann on book collecting; Norbert Jopek on 19th-century dealers' visitors books in Nuremberg; Abigail Price on the Museo Pio-Clementino.

Acquisitions and Loans

Although the Wallace Collection is prohibited by the terms of Lady Wallace's bequest

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and subsequent statute from adding to or disposing from its permanent collection, objects and archival material relevant to the collection and its history are acquired from time to time and are regarded for accession purposes as forming part of the collection of the Library of Hertford House.

In 2005 we learnt of the sad death of Mr John McKee, the Wallace Collection's Librarian for nearly 40 years from 1955. Mr McKee bequeathed to the Collection in his will not only a share of the residue of his estate but also his collections, archives and books relating to the history of the Wallace Collection. Collectively these are a major addition to the historic collections. They include a large number of topographic prints of Hertford residences, caricatures by Dighton of the Marquess of Queensberry and members of the Seymour-Conway family, prints of George IV at various stages of his life, as well as Mr McKee's extensive researches into many aspects of the Wallace Collection's history. We were also allowed to make a selection from John McKee's collection of sculpture, which means we now have a small group of bronzes for our educational handling collection. Some of the highlights from the McKee bequest were shown in the *Founders of the Wallace Collection* exhibition.

We were fortunate to be able to acquire from a dealer a group of six letters from the 4th Marquess of Hertford, dating from the period c.1855-1859 and written in French to two at present unknown correspondents. The letters thank the recipients for kindnesses and for sight of letters, recall Chateaubriand and Mme.de Recamier, his mother's illness, the severance of his relationship with Baron Rothschild, and also deal with the memory of his brother Lord Henry Seymour. Another fascinating acquisition has been the purchase of an album containing around 60 letters addressed to the first Keeper of the Wallace Collection, Sir Claude Phillips, congratulating him on his appointment. The album had been rescued from a skip by the vendor some 25 years before!

We were very lucky to be lent a unique fountain and basin made in soft-paste porcelain at Vincennes in 1754-5 for Madame de Pompadour. It is an early equivalent of a plumbed-in hand basin and has unusual silver gilt and gilt-bronze mounts, the latter fixing the fountain to the basin rather than having it attached to the wall above the basin, which was more usual. It is both very beautiful and historically important. It was sold at Christie's New York in May and is the most expensive piece of French porcelain ever sold. It was kindly lent to us anonymously, for six months, and displayed in the Hahn case in the Porphyry Court.

Partnerships

2004-05 saw the completion of our planned small network of four other partner museums. These are the Bowes Museum, the Holburne Museum of Art, Compton Verney and Waddesdon Manor.

The second of our annual meetings with the other four members of the Museum Network will take place at the Wallace Collection on 21 April 2006. During the past year, not least owing to the availability of DCMS/DfES funding, particularly fast progress has been

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made in developing the educational opportunities provided by the partnership. These are detailed on pages 14 to 19.

We hope in the coming year that the Museum Network can expand beyond its current focus on education and exhibitions collaboration to encompass other areas such as marketing and curatorial advice.

Collections Management

In 2003 it was agreed to proceed with examining options for the acquisition of a Collections Management System (CMS) for the Wallace Collection, which should not only assist with internal management of the collection but also greatly increase the quality of information on the collection available more widely, through the web and other means.

2005-06 saw the completion of the tendering process for the new system. Following a detailed analysis of the three short listed companies, a contract was signed in January with Zetcom.

The project team has been expanded from one to five with the recruitment of a Documentation Officer and three Documentation Assistants. The Documentation Team commenced data entry of Pictures and Miniatures records on the 6th March. An inputting schedule for the coming 10 months has been prepared with input from the curators and a curatorial 'Record Authorisation' procedure agreed to ensure that individual curators review and approve records for their area of responsibility within the collection.

It is anticipated that this project will take at least three years to reach completion.

An Accession Register for the Hertford House Historic Collection has also been acquired and will be used to accession properly the works of art and other material connected with the history of the Collection and its works of art, acquired since the Collection opened in 1900.

Conservation

The Conservation Department has spent another busy year, in particular working to help achieve the Collection's ambitious temporary exhibitions programme, and the Gallery Refurbishment project. This included being heavily involved in the six week re-hang of the Collection following the end of the Boucher exhibition.

Our major programme of arms and armour conservation continued in conjunction with the re-photography of this part of the Collection for the planned Arms and Armour catalogue on CD.

Further re-equipping and up-dating of the workshops took place during this period, together with further improvements to environmental monitoring procedures.

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The Ceremonial Robes of a Chinese Mandarin were packed and delivered to the Textile Conservation Centre in Winchester for a major six-month conservation project. This project follows the successful conservation of the 'Rajput Warrior' costume at the T.C.C. and means that we have now completed the two biggest and most urgent textile conservation problems in the museum. Following the return of the robes, they formed the centre point of an exhibition in the Conservation Gallery.

Following consultation with the paintings members of the Conservation Advisory Committee, Bartholomeus van der Helst's *Family Group* (P110) was sent to Ebury Street Studios for cleaning and conservation.

Jürgen Huber, senior furniture conservation officer, continued to work on the conservation of Boulle coffer F48, assisted by a furniture intern.

Conservation of the Tuscan School painting on panel *Portrait of a young man with a Lute* (P542) has been completed by Larry Keith at the National Gallery and the picture has been returned to display. The conservation demonstrated that the paint surface was overall in better condition than previously suspected. Removal of overpaint revealed that the young man is standing against an elaborate floral tapestry.

The J. Paul Getty Museum gave permission for its Head of Paintings Conservation, Mr Mark Leonard, to spend a number of weeks working in the National Gallery Conservation workshop on the cleaning of Fragonard's *Fountain of Love* (P394). Mr Leonard has cleaned the Getty Museum's version of this picture and this arrangement ensures therefore that the best-qualified conservator to tackle our picture did so, whilst taking account of Trustees' stipulation that the painting should not travel outside the United Kingdom.

In July the Conservation Department hosted and helped set up an International Academic Project. A two-day course for museum professionals on 'Packing and Transporting Museum Objects'. The Department also assisted an international Watteau research group over a period of two days, taking down and unframing a number of paintings in the galleries.

In September 2005 Jürgen Huber was invited to participate in an Urushi Conservation Course run in Japan by the National Research Institute for Cultural Properties, Tokyo. This is the third course of this kind in which 10 non-Japanese participants are selected and learn about the use and the conservation of *urushi* lacquer. The Japanese Government covered most of the costs of the visit, with the Wallace collection finding the course fee. The highly specialist training Jürgen received whilst on this course will be of great help to us in the assessment and treatment of lacquer furniture in the Collection.

A full inventory check of the European Armour, including condition-assessment, was carried out by volunteer Major Logan Thompson (ret.) assisted by members of the Conservation Department team.

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Library and Archives

This has been a busy period for the Library, with the number of visitors and enquiries steadily increasing, partly as a result of the increasing number of records available on the publicly-accessible online catalogue.

The Library collection has continued to grow, within the terms of our collecting policy. Interesting rare book acquisitions include a volume of ornament plates published by Deflorenne around 1836, an early 18th-century compilation of recipes for lacquers, paints etc., published by Jean de la Rivière in 1721 and some rare illustrated 19th century books on Meissonier and Vernet. We also obtained a copy of the key 1924 monograph on Bonington by Dubuisson containing a large quantity of autograph correspondence with its co-author and translator into English, C.E. Hughes. This complements perfectly the annotated volume of Andrew Shirley's later monograph on the painter on loan to us from Sir Andrew's daughter.

Like many other major art history libraries we put all our resources together to allow us to bid at the sale of the incomparable Heim Gallery library of sale catalogues and art books, held in Nogent-sur-Marne in late July. We were unable to acquire a single one of the 18th-century catalogues for which we bid, many of these being pre-empted by the French state and those that were not soaring past their estimates. However, we were able to acquire around 100 19th-century French sale catalogues, which greatly increases the value of our overall holdings.

We also acquired from Bloomsbury Book Auctions *Monuments Français inédits pour servir à l'histoire des arts depuis le VI^e siècle jusqu'au commencement du XVII^e : choix de costumes civils et militaires, d'armes, armures, instruments de musique, meubles de toute espèce, et de décorations intérieures* by Nicolas Xavier Willemin, Paris : 1839. This is a magnificent 2-volume work with many beautiful colour plates, and it is a major reference source on the decorative arts, costume, and armour in France from the early medieval period to the 17th century.

Much of the summer was taken up with a major book-moving project. In early July, 130 boxes of sale catalogues were brought down from Edmonton, where they had been in storage since c.1998, when they were moved from the Basement storage areas during the Centenary Project. They are now shelved in 8 bays (164.16m) of mobile shelving in the Ronfort Augarde Archive Room on the Lower Ground Floor. The catalogues had to be arranged chronologically, the whole process taking about six weeks. Added to this were the catalogues acquired since 1998, which had been kept in the small archive room, adjacent to the Visitors' Library. The next stage will be to begin listing them, for which we will need the help of interns and volunteers. We already have lists of sales from 1776- 1900, and from 1997-98 up to the present. Both these lists are now on the shared server. The sale catalogues are an important research resource for the collection, both for Curatorial staff and external visitors.

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Since space on the second floor has run out, all new acquisitions during the past year or so had to be temporarily accommodated in the Visitors' Library, but they have now been moved into the large archives room. The Library staff have also drawn up a plan of book moves with the aim of making a more systematic and effective use of the rolling shelves in the large archives room, so as to ease the congestion on the second floor.

Picture Library

The Picture Library continues to reap the rewards of the re-organisation carried out in the previous year by the new Picture Librarian, Melanie Oelgeschläger. Once again the returns were well above the budgeted amounts.

Melanie has also been heavily involved with the Collections Management project, especially through taking on responsibility for the photography project, which will benefit both the Picture Library and form the basis for the Collections Management System (Wallace Live).

The Visitor

The marketing partnerships with VisitBritain and Visit London in the previous year were further developed in this year. Although no MORI poll was carried out this year (the next one will be in 2006-07), feedback through the visitor comments book and informally suggests that visitor satisfaction with the Wallace Collection remained very high.

Visitor Numbers

Overall visitor numbers fell from the all time high of 2004-05. This was to be expected following the two main exhibitions in that year of Lucien Freud and Francois Boucher. However the fall from 288,000 to 219,000 was greater than expected. In large part this can be attributed to the July 7th bombings, which had a major impact on the visitor numbers for all central London tourist attractions. We expect numbers to pick up again in 2006-07.

Education

The Education Department continues to go from strength to strength. The on-site facilities are now reaching capacity, leading to renewed work on community and school outreach programmes. This has been made possible by the joint DCMS/DfES Strategic Commissioning Funds, which totalled £160,000 in this year. We have also now learnt that this vital support will continue until 2007-08, hopefully allowing these projects to continue for at least another year.

This year the Education Department celebrated a very important birthday: the 15th Anniversary of Guide Lecturing at the Wallace Collection. In early October 2005 we held a party in the State Rooms for all the guide lecturers, many of whom have been with us for the whole 15 years, to thank them for all their fantastic work for the Collection. This

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milestone reminds how reliant we are on the fantastic work of volunteers in order to meet the objectives of the Wallace Collection.

Exhibitions

The Education Department always strives to tie interesting and innovative educational activities in with our exhibition programme. The year started with the tail-end of the Boucher exhibition and its education led spin off. The final visitor numbers for the Education exhibition *Boucher: Seductive Revisions*, described in the last Annual Report, were 4,028. It was a fantastic opportunity for the Department to showcase some of its work and brought great pleasure to those who exhibited their work.

The department also worked hard on delivering innovative events to complement the Anthony Powell exhibition and Marie-Antoinette display. The three lectures held in conjunction with the TLS were extremely well-attended and well-received. We have also held, for the very first time, a Powell 'book group', attended by around 35 to 40 Powell enthusiasts who enjoyed discussing each of the four trilogies of *A Dance to the Music of Time*. Another new venture was an adult creative writing class, centred on our famous painting by Poussin. This too, was appreciated by all those who attended. A great addition to our interactive education offerings has been the lively character of Marie-Antoinette. Jane Cartwright has ably played the Queen in a sympathetic and amusing manner which has entertained the public and hopefully enabled them to see her in a different light!

Schools' Programme

The DCMS/DfES Strategic commissioning funds have allowed the Wallace Collection to develop the educational output of the Regional Partnership Network. This work is led by a new post of Schools' Education Officer: Regional Partnership Programmes, which has been funded by this grant. This post is held by Beth Kingston.

As part of the Network, we have, together with the Bowes Museum and the Holburne Museum, developed an eLearning module on portraiture for pupils aged 5-11 and their teachers. It includes a selection of portraits from each institution, with printable images and descriptions of these works of art. Also described in the site are themes relevant to the subject of portraiture, such as 'dress and accessories', 'materials' and 'setting and symbols'. For children, there are activities to be carried out on-line, including one where it is possible to change the expression of *The Laughing Cavalier* to see how that changes one's response to him and another which allows children to guess and then find out 'what happened next' to some of the personalities featured on the site. The activities can be seen on the new portal at www.museumnetworkuk.org, and have so far been extremely well received. Two new eLearning modules on Myths and Legends and Landscape are currently in development.

Other Network projects included celebrations for Architecture Week (20-26 June), plus some innovative Design and Technology projects at the Wallace using wood marquetry and plate armour as source material for woodwork and metalwork classes. One of the greatest achievements in this strand of our programme has been the setting up of

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Waddeson Manor's first ever primary schools' project (on the theme of Sleeping Beauty). Year 1 & 2 pupils at Ashmead Primary School explored the fairytale manor and took part in art and design sessions at school, creating their own sleeping-beauty inspired book. Comments were incredibly positive, for example 'It was a really magical experience – exactly what we wanted'. Other examples include new 'Naked Bodies' sessions for A-level students at the Bowes Museum (based on the Wallace model), and new sculpture sessions for Key Stage 3 pupils at the Holburne inspired by Japanese netsuke.

Summer 2005 also saw exciting happenings within The Wallace Collection, with Sir Robert Dudley and Moll Cutpurse coming in to give children a taste of life in Tudor London! The Queen's favourite and the cross-dressing criminal from the Tudor underworld enlivened history through drama and allowed children to explore how rich and poor people spent their lives around 500 years ago.

Our primary and six-form schools' programmes have performed strongly this year. Particular highlights have been joint sixth form study days with the V&A and Tate Britain, entitled *Ways of Seeing* and *Past Masters/New Masters: The Wallace Collection Meets the Turner Prize* respectively. Other exciting schools' projects have included several for Secondary School pupils, an age-group hitherto hard to reach. One was a weekend Art and Design project with Charlotte Hodes in conjunction with the Westminster, Kensington and Chelsea Gifted and Talented Programme. Emma Bryant managed the project which was based on the idea of process and resulted in individual collages, both of which are key to Charlotte's own work. We also hosted a conference for the London Materials Society, where 35 GCSE students took part in tours of the furniture and armour handling sessions on the theme of materials, as well as lectures by scientists arranged by the society.

Brent and Ealing schools have enjoyed 'All Together Now', an outreach project for primary-school children in 5 schools in these boroughs; this is the third year we have worked with these schools, in what seems to be a lasting partnership.

Some of our most rewarding projects have been for children with special needs. One of these took place over three days in November and December, for secondary-age children with severe learning difficulties at Tuke School in Peckham. The class of Year 12 pupils took part in a project on collage, using the furniture of André-Charles Boulle as an inspiration to make their own medal cabinets and other collaged objects. The project was incredibly rich and wide in scope, encompassing History, Art and Design, Photography, Drama, Storytelling, Music and French. We have also started a new partnership with St George's Hospital School, for children in the five paediatric wards, which we hope will become a regular feature of our outreach programme. Similar work has been ongoing for primary school children with severe learning difficulties at the Stephen Hawking School in Tower Hamlets.

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Postgraduate and Diploma Courses

This financial year saw the end of the first successful academic year of our joint MA course in Decorative Arts and Historic Interiors, and the start of the second academic year. Numbers dropped between the years from twelve to six. We shall be looking for ways to bring the numbers back up before the third year.

In this year, we also saw a new intake into the joint MA with the Institut d'Études Supérieures des Arts in Paris (IESA).

Public Programme

Our public programme included two of our annual *Day in the 18th Century* extravaganzas, due to a quirk in the calendar. These days still prove to be the busiest in our calendar, and those that attend almost universally enjoy the range of demonstrations and delights on offer.

The theme of this year's Museums and Galleries Month (May) was *Objects of Desire: Collectors and Collecting*, which was ideal for us! A series of lunchtime talks on each of the Marquesses of Hertford and Sir Richard Wallace was very well attended, with about 160 people learning more about the characters behind the Collection.

During one week in August, Charlotte Hodes, Associate Artist, made the Education Studio her home. Members of the public were able to drop in and see some of the works of art that she has made since the beginning of her Residency as well as talk to her about the techniques she uses and witness her at work on a new collage. On two mornings, before the museum opened, staff were invited to share coffee and find out more about what Charlotte has been doing since she joined us.

One of this year's triumphs was the Anglo-Sikh Heritage Week, which saw gallery talks on the Oriental Armoury and the unveiling of the Anglo-Sikh Heritage Trail plaque by David Lammy MP. The highlight of the week was 'Warrior Saints', a special public event held on Sunday 11 September including Dohl drummers, Gatka fighting, gallery talks and dagger-making. 272 adults and 85 children enjoyed finding out more about Sikh heritage. One attendee stated "I have learnt more about Sikhism in two hours at the Wallace Collection than I have in 35 years" which is a fabulous testament to the success of the event. We also held a celebration of Vaisakhi, the Sikh harvest festival which included lectures by storytelling with Jaswinder Singh, gallery talks and family activities. This attracted about 35 Sikh people whom we hope will become regular visitors.

Public programmes have included regular family activities and the monthly 'Little Draw' drop in art workshop which has been expertly led by Charlotte Hodes (Associate Artist). We also ran several study days for adults, one on Sèvres porcelain entitled 'The Good, the Bad and the Ugly' led by our Director, Rosalind Savill. The Study Day looked at how to tell apart the real thing from fake or redecorated Sèvres and was fantastically well received, with 90% of participants rating it as 'excellent'. Others included *Princely Collecting* in partnership with the Gilbert Collection and one offering the chance to experience *Behind the Scenes in Conservation*, always an enticing draw for the public.

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February saw *Patroness of the Arts: Re-Interpreting Marie-Antoinette and her Legend* and *Treasures of the Italian Renaissance in the Wallace Collection*. All were well attended and well received. A new partnership was forged with The Royal Collection, with which we have held a weekend art class on Canaletto to coincide with their exhibition and with which we are planning a Study Day on Regency collectors.

Community and New Audiences

Community Education has come on in leaps and bounds this year. One part of this was the expansion of the *Out of the Frame* project for elderly people in day centres and care homes. Outreach sessions are now followed up with visits to the Museum for those who are mobile, and a new partnership has been made via Dr Richard Dorment with the Hospital of St John and Elizabeth.

Our art and storytelling outreach sessions for the under 5's at Westminster libraries have continued and resulted in our being invited to run an after school club in story and illustration at Queen's Park Library for 7 to 11-year olds. Three sessions involved the pupils making books with narrative linking paintings. Queen's Park Library is in one of the most deprived areas in Westminster. The library serves an area where 50% of the population lives in council housing and there is 42% unemployment, 54% of the area's population are from minority ethnic groups, and 30% are Asian or Asian British and Black or Black British.

June saw our first ever teaching session for adults with autism, with a small group of adults from the Hoffman Centre for Autism, and an animation project with BrentLinx, both revolving around the Armoury. BrentLinx work specifically with homeless young people (age 15-25) in London and examined the theme of conflict through arms, armour and the paintings of Vernet.

This year we introduced our highly successful and extremely well respected Deaf Arts days, including talks and workshops by deaf artists and art historians for both deaf and hearing audiences. This a unique model, already attracting attention from other museums and galleries. We now have a loyal following of participants. Our programme of activities for the homeless expanded to include sessions in the *Salvator Rosa* exhibition for our regular attendees as well as a new series of outreach workshops on the theme of conflict for homeless and vulnerable teenagers in Brent. Participants used battle paintings by Vernet and objects from the armour handling collection as inspiration for an animation. The project was unfortunately disrupted by the bombs (and attempted bombs) in London, which occurred on two of the four workshop days and understandably came to bear on the chosen theme. However, the young people continued with the project and enjoyed seeing their drawings turn into moving images.

Our attempts to engage with new and disadvantaged audiences included a series of eight workshops delivered to two different groups of young refugees and asylum seekers based in East London through November and December. This successful pilot project engaged with young people who would not normally visit the Collection and offered them the opportunity to interact with the collection and create their own artworks. A small

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exhibition of some of the work went on display in the Studio on 28th and 29th January 2006, which brought much pleasure to those involved.

Marketing, Press and Public Relations

As already shown, visitor numbers for the year were disappointing. To a large extent this was due to external circumstances beyond the control of the Wallace Collection.

Despite this there were a number of successes that should not be overlooked. Building on the successful trial in 2004-05 two more high profile successful events were organised, Love & Art in “a Dance to the Music of Time”, and “An Evening Salon with Marie Antoinette”. Both of these events sold out in advance and attracted new visitors to the Collection.

We also seem to have consolidated our position on the reviewer’s circuit, with excellent press coverage for all our exhibitions. Anthony Powell provided a surprisingly high volume of high-profile articles.

The Wallace Collection design themes are currently being reviewed, and a new look and a stronger public presence will be felt in 2006-07.

Facilities

The Facilities Department has had a large proportion of their time this year taken up with Phase I of the Gallery Refurbishment project. The management of the project and its contractors has been onerous, but the stunning results have shown it to be worthwhile. One of the main problems discovered during the works was the need for strengthening works to the ceilings in these second floor galleries. This led to a delay in the project whilst the staff in the rooms above were decanted to allow these works to take place.

A great deal of time has also been taken up planning the major capital works to take place in 2006-07. These include the next phase of room refurbishments plus the refurbishment of the Sculpture Garden to coincide with the changeover between restaurant franchisees.

Significant work was also undertaken by Cliveden Conservation in the West Room where the architrave and ceiling needed significant remedial work.

Other works to improve the look of Hertford House included the relaying and cleaning of the marble floor in the Front Hall. This was originally in a very poor state, and potentially unsafe as well as unsightly. The glass lift shaft was also cleaned, this had previously been a logistical problem which had frustrated its cleaning in the past.

There was one major incident in the year, when it was discovered that the humidifier system, essential to maintaining the correct environmental conditions in the galleries, was failing. This was replaced in year and the environmental conditions have stabilised as a result.

Security

The Security team has had a year of quiet consolidation following 2004-05 which saw the major restructuring plus significant investment in technological security. Improvements

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and investment continue to be made, but at a more manageable pace.

A steady turnover of staff has meant that recruitment has been an ongoing challenge; however manning levels have been maintained at a sufficient level to more than halve the number of gallery closures seen in the previous year.

Catherine Smith was promoted in year to the position of Security Staff Manager.

Fundraising and Facilities Hire

Fundraising

Fundraising fell just short of its revenue targets this year. This was in large part due to a lack of funds coming from our American Friends. We understand that the promised funds will be remitted in 2006-07.

Capital fundraising managed to obtain sufficient commitments to fund the first phase of the room refurbishments. Further donations will however need to be obtained to fund the second two rooms.

Wallace Live has failed to attract sponsorship. This vital project is currently being funded from the Wallace Collection's own resources.

Corporate Facilities Hire

The corporate events income target was comfortably achieved this year. The highly successful year ended with last year's income being increased by approximately 50% in 2005-06. This highly creditable result has been caused by a re-evaluation of the range of events available and their pricing by our Head of Events, plus the expansion of the Events team from two to three.

The main new product developed in year was a Wedding Reception package. Newly-wed couples can now celebrate their big day with a Reception in the romantic surroundings of Hertford House.

Retail

The shop continues to be appreciated by our visitors for its interesting range of products and also for the availability of books, often foreign publications, which cover the eighteenth century decorative arts particularly well. The shop staff also manage the Information Desk in the Front Hall where they are responsible for selling not only the Guide Book, but also the audio tour, and for informing visitors with disabilities of the assistance that we can offer.

This has proven to be a turbulent year for the Retail Department. Our Head of Retail decided against returning from maternity leave, for family reasons, resulting in our acting Head of Retail continuing in that role. There was also a high degree of turnover in staff, most tragically with the devastating loss of our administration assistant Tracey Howarth in a road accident.

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Against this background it was therefore highly surprising and pleasing that retail made their net profit target for the year. The gross sales target was missed, but that was to be expected due to the lower than anticipated visitor numbers to the Collection. This achievement reflected the strong controls over expenditure exercised in the year.

Notable successes included continuing strong book sales. Wallace Collection own publications contributed strongly including Stephen Duffy and Jo Hedley's *The Wallace Collection's Pictures: A Complete Catalogue* and Jo Hedley's *François Boucher: Seductive Visions*, published in 2004-05 and the introduction of the new *Scala Guide to The Wallace Collection* published in hardback format late in 2005-06, with paperback to follow early in 2006-07.

Exhibition merchandise also did well. This was most notable with the Anthony Powell catalogue and other merchandise, including busts of the author himself.

The Café Bagatelle

The Café Bagatelle formed the centre point of the Centenary Project when the French company Eliance was awarded the six-year franchise in 2000. The Café Bagatelle has succeeded in its aims of becoming a destination restaurant, and customer numbers have exceeded original estimates, though partly due to a cultural shift away from wine-drinking at lunchtime its profits do not reflect its success. Eliance pays the Wallace Collection a percentage of turnover, based on a sliding scale. The Café Bagatelle also suffered from the downturn in visitor numbers this year, with their contribution dipping slightly from the previous year's high:

2001-02	£42,286
2002-03	£40,617
2003-04	£38,061
2004-05	£45,792
2005-06	£41,134

The current contract with Eliance expires in July 2006. This year has therefore seen a tendering exercise to establish who would take the restaurant forward after that date. Eight strong tenders were received, with Gruppo (Oliver Peyton) eventually being awarded the contract. The restaurant will therefore be refurbished in August, with the new restaurant (renamed the Wallace Restaurant) opening in September 2006.

Human Resources

Following on from the upheaval in 2004-05, when many of the archaic terms and conditions of many staff were updated, along with the Staff Handbook, 2005-06 has seen a period of bedding in the new systems.

The Personnel Manager has however had to keep on top of the six monthly changes in employment law, plus assisting managers in all aspects of personnel management, and overseeing staff recruitment.

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Performance against DCMS agreed Targets

The relationship between The Wallace Collection and its sponsoring body, DCMS, is largely defined by a Funding Agreement. 2005-06 was the final year of a three-year agreement. The Funding Agreement sets targets for five core quantitative performance measures (seven from 2005-06) and the Collection also reports on several qualitative performance measures that contribute to DCMS's strategic priorities. The targets were revisited for the 2005-06 year as part of the settlement for 2005-08.

Overall the Collection achieved three out of the seven targets. The targets are divided into four areas, visitor numbers, virtual visitor numbers, trading profit and efficiency savings. Targets were achieved in three of the four areas.

The specific quantitative targets are:

Core Target	2004-05		2005-06		2006-07
	Target	Actual	Target	Actual	Target
1. Total number of visits to the Museum	240,000	288,009	250,000	219,214	255,000
2. Number of UK adults aged 16 and over (from 2005-06) from lower socio – economic groups attending the Museum	16,100	11,520	14,000	8,769	14,500
3. Number of child visits (15 and under from 2005-06)	20,000	16,698	16,500	15,666	17,000
4. Number of children aged 15 and under (from 2005-06) in on and off site organised educational sessions.	11,000	11,884	12,000	11,127	12,500

The most disappointing element here is the fall in overall visitor numbers. There were special circumstances behind the spectacular numbers for 2004-05, such as the fantastically popular Lucien Freud exhibition, and the major Francois Boucher exhibition. A fall in numbers was therefore expected, since there were no such high profile exhibitions in 2005-06. This combined with the July 7th bombings contributed to the reduction seen, which was at its worst in the months following July. The reduction in those months was in line with similar tourist attractions in central London.

Despite those problems it is gratifying to note how close we came to still meeting our target for child visits. This is in large part down to the sterling work of our education

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department who only narrowly missed their own target. This would have been achieved except that there was no Wigmore Hall joint project this year. It actually happened in April 2006 instead.

The target for visitors from lower socio-economic groups appears to have been missed. It should be remembered however, that the percentage of visitors from these backgrounds is only checked once every two years through a MORI poll. Whilst statistically accurate, the poll can only provide a snapshot of a very brief moment in time, and we do not feel it takes account of our educational programmes, which successfully target schools and community groups in the more disadvantaged areas. No update poll took place in 2005-06 so the percentages used relate to 2004-05.

Core Target	2004-05		2005-06		2006-07
5. Number of website visits (unique users)	550,000	457,223	500,000	668,195	550,000

The website users target was achieved for the first time in several years. This was in some small part due to the creation of a new website with our regional partners delivering high quality educational content. The new main website for the Wallace Collection should give a greater boost to numbers, and is due to be completed in 2006-07.

Core Target	2004-05		2005-06		2006-07
6. Net income from trading (including corporate hire) (from 2005-06)	n/a	n/a	400,000	524,064	450,000

The new target for trading income was comfortably exceeded. This was in the main due to a highly successful year for our facility hire business, although the retail and picture library departments also exceeded their targets.

Core Target	2004-05		2005-06		2006-07
7. Efficiency savings (from 2005-06)	n/a	n/a	138,000	141,473	143,000

The efficiency savings target was exceeded. The main savings shown relate to the restructuring in 2004-05 and the ongoing savings that resulted, plus the additional opening hours that resulted at minimal extra cost.

Financial Review

Financial results

Net incoming resources in the year amounted to £187,977 (2004-05-outgoing resources of £124,552). In accordance with charity accounting guidance, this includes capital grants of £1,078,717 and charges in respect of capital expenditure of £630,675. If these items are excluded, the result for the year is an operating deficit of £260,065 (2004-05 surplus of £73,982). This operating deficit is primarily caused by the release of restricted reserves to pay for the refurbishment programme, as anticipated. The summary consolidated income and expenditure statement on page 81 shows how the operating surplus is derived.

The main features were:

- (a) Grant in Aid income for the year was £2,580,000, (2004-05: £2,594,000). The decrease reflects the extra amounts awarded in 2004-05 for the restructuring and buy-out of outdated terms and conditions;
- (b) Conservation expenditure amounted to £232,752 (2004-05: £205,327). The increase reflects the completion of certain key projects such as the Ceremonial Robes of a Chinese Mandarin and Bartholomeus van der Helst's *Family Group*. Additional expenditure also went on equipping the new Conservation workshop;
- (c) Curatorial expenditure amounted to £793,096 (2004-05: £864,260). The decrease reflects the additional sums utilised in 2004-05 to stage and support the Francois Boucher exhibition. This decrease is partly offset by the continued expansion of the Education Department supported by the DCMS/DfES Strategic Commissioning funds;
- (d) Security expenditure in 2005-06 was £1,296,048 (2004-05: £1,486,495). The decrease reflects the additional sums paid to change terms and conditions of staff in the previous year, plus the additional amounts spent to improve technological security following a spate of thefts in the sector;
- (e) Building and maintenance expenditure (other than the charge for depreciation) amounted to £767,660 (2004-05 £569,808). This amount represents the preventative maintenance designed to further halt the deterioration in the eighteenth century building. Much greater investment will be required to secure its medium and long term future, and we were fortunate to be promised a substantial increase to tackle the backlog in the last government spending review. This funding will come in in 2006-07 and 2007-08. The increased amounts paid out in 2005-06 related to additional works such as the gallery improvements, remedial restoration work carried out on the West Room, plus improvements to the environmental controls in the galleries. Utility bills also increased dramatically this year as world prices generally increased;

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- (f) Governance costs amounted to £58,246, (2004-05: £32,793). The rise relates to the costs of a legal case settled in year;
- (g) Fund raising expenditure amounted to £100,990, (2004-05: £117,993);
- (h) Marketing and design expenditure amounted to £173,775 (2004-05: £341,565). The decrease reflects the additional sums invested in promotion and running of the Francois Boucher exhibition in the prior year;
- (i) Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £593,919 (2004-05: £577,964). This small increase reflects strong cost control since the net profit generated by Hertford House Marketing Ltd increased dramatically from the previous year moving from £384,742 to £524,064. This increase was primarily due to the dramatic increase in revenue generated by the facilities hire business. Retail and the Picture Library however also both exceeded their net income targets: and
- (j) Other than the charitable donation from Hertford House Marketing Limited to its parent organisation, The Wallace Collection, there were no charitable donations made in the year. £250,000 was received in year from Sir John Ritblat towards the refurbishment of the Oval Drawing Room, with a further £150,000 from the Davidson Family Trust towards the refurbishment of the Study.

Reserves policy

This policy was revisited in year. Given the greater reliance on self-generated income to carry out core activities, the risk profile of the Collection was deemed to have increased. Therefore the revised policy of The Wallace Collection is to seek to establish, and then maintain, a level of unrestricted reserves of over £500,000 (2004-05 £300,000). These are required to provide adequate working capital to ensure that The Collection can operate efficiently and effectively and also to sustain its level of activities by providing some protection against an unexpected down turn in non-grant revenue. At 31 March 2006, the Collection's unrestricted reserves of £247,639 were below the target level. It is the policy of the Trustees that this target be achieved within the next five years.

There is currently a Deferred Project Reserve (see note 17) which has a negative balance of £93, 861. This represents advance work carried out on capital projects scheduled for 2006-07 and 2007-08. Funding for these projects will be received in the year in question, thereby clearing the deficit balance.

Fixed assets

Movements on fixed assets are set out in note 12 to the financial statements. A summary of the key movements are as follows:

- Freehold Land and Buildings were externally re-valued at 31 March 2006 at £35,000,000. This resulted in a revaluation increase of £1,162,197 in 2005-06;
- Total additions during the year amounted to £1,078,717, which primarily related to

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expenditure on the gallery refurbishments plus the continuation of the Wallace Live project;

- Although several assets were disposed of in the year, none had a net book value above zero; and
- Depreciation charge for the year is £637,735. The building is being depreciated over an expected remaining life of 100 years. It is, nevertheless, the Trustees' intention to continue to maintain and improve Hertford House, subject to the availability of adequate funding.

Payment of creditors

The Wallace Collection aims to adhere to the Government service standard on settlement of accounts by endeavouring to pay all undisputed bills within 30 days of receipt. During 2005-06, 87% of creditors were paid within this target period (2004-05: 79 %).

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Future Developments

A Corporate Plan has now been agreed for the period from 2006 to 2009. The key objectives for that period are:

- 1) To safeguard the Collection by carrying out much needed capital works to Hertford House. These are to include renovation of the north, east and west external walls, repair of the ceilings in the Armouries, renovation of the second floor, and renovation of the public toilets. This renewal and improvement is to be matched in the galleries by the continuation of the gallery refurbishment project. This period is to include as a minimum the Study, the Oval Drawing Room, the Large Drawing Room and the Small Drawing Room. *(To be championed by the Assistant Director: Head of Operations and Finance).*
- 2) To complete the Wallace Live project. This is to be the Collections Management System for the Wallace Collection. By the end of this period a system will have been sourced, installed, populated with photographs and details of all the Collection's works of art and made accessible to the public both on site and remotely through our new website. This project will also underpin our continuing commitment to scholarship and new research into the collections. *(To be championed by the Assistant Director: Head of Collections).*
- 3) To build on the reinvigoration of the Galleries to provide new levels of customer service to all visitors, be they tangible or virtual. Virtual will be served by our new website, supported by Wallace Live and educated by the e-learning products generated with our regional partners. Visitors to Hertford House will be greeted with a warm welcome at our redesigned front entrance, dazzled by the newly refurbished galleries, and nourished in our relaunched restaurant. Increased numbers of staff in the galleries will be funded from the efficiencies generated by the staff restructuring now completed. This increased presence will improve both customer service, helped by our new training schedule, plus security of the works of art, which must always be a priority. Visitors will also be better served by improved information in the galleries. *(To be championed by the Assistant Director: Head of Development and Marketing).*

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

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

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992.

The consolidated accounts are for The Wallace Collection and Hertford House Marketing; they exclude the accounts for the American Friends.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Collection's consolidated accounts for the year 2005-06. The audit fee in respect of this work was £16,000. 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.

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 auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of the Board of Trustees and Collection's auditor, the Accounting Officer has taken all the steps that she is obliged to take as Accounting Officer in order to make herself aware of any relevant audit information and to establish that the auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow trustees and the Collection's 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 auditor is aware of that information.

Staff and organisation

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

Post Balance Sheet Events

There were no events after the 31st March 2006 that might affect the reader's understanding of the accounts.

Remuneration Report

Salary Policy

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

All staff in comparable posts are positioned within pay bands. All other staff are appointed on spot salaries. No allowances are in payment, other than standard overtime amounts.

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

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

Director's Emoluments

The Director's salary, terms and conditions are decided by the Chair of Trustees following consultation with the Department for Culture, Media and Sport. Any award is in line with the recommendations of the Senior Salary Review Board. Full disclosure of the Director's emoluments is at note 5.

Performance Management

Performance is formally appraised annually, although ongoing performance management is encouraged. Performance related pay is not in operation.

Pensions

All Wallace Collection employees are eligible to join the Principal Civil Service Pension Scheme or the Partnership Scheme, which is a stakeholder pension scheme. Full pension details are set out in note 5

Benefits in Kind

Benefits in kind, as agreed with HM Revenues and Customs, comprise annual eye tests, annual flu jabs, and staff uniforms where appropriate. The taxable value of these benefits each year, as agreed with HMRC is less than one thousand pounds across the entire staff group. No other benefits in kind are granted.

Policy on duration of contracts, notice periods and termination payments

Senior staff are permanent employees of The Wallace Collection apart from the Director who is on a fixed term contract. Notice periods for senior employees are usually three months, with one month for other employees. Termination payments are in accordance with The Wallace Collection contractual terms.

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

Trustees

Trustees receive no remuneration for carrying out their role.

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Annex A - Trustees

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

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

Sir John Ritblat	- appointed August 2003, appointed Chairman from January 2005.
Sir Geoffrey de Bellaigue	-appointed January 1998, term expired January 2006.
Lady Irvine of Lairg*	-appointed February 2000
Ms Carole Stone	-appointed February 2000
Dr Fram Dinshaw*	-appointed March 2001
Martin Drury CBE	-appointed May 2001
Dr Richard Dorment	- appointed July 2003
Sir Timothy Clifford	- appointed August 2003
Hon Barbara Thomas	- appointed August 2003

* Denotes members of the Audit Committee

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

Mrs Jane Lewis - Honorary Trustee	-appointed January 1998
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A register of interests for all Trustees is held at Hertford House.

The Directors of Hertford House Marketing Ltd. during the year were:

Sir John Ritblat
Miss Rosalind Savill CBE FSA

Principal Officers

Miss Rosalind Savill CBE FSA	- Director
Mr Jeremy Warren FSA	- Head of Collections
Mr Simon Pink ACA	- Head of Operations and Finance
Ms Clare O'Brien	- Head of Development and Marketing

Advisers

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

The Wallace Collection
(Consolidated Accounts)

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

Hertford House Marketing Ltd.
(Trading Company)

haysmacintyre
Southampton House
317 High Holborn
London WC1V 7NL

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Annex B - Publications by Wallace Collection Staff

The Wallace Collection, Scala Publishers Ltd., London 2005. With contributions from Stephen Duffy, David Edge, Jo Hedley, Suzanne Higgott, Rosalind Savill, Eleanor Tollfree and Jeremy Warren.

Sophie Carr:

- Entries on Cristofano Allori (Cat.7) , Artemisia Gentileschi (Cat.14) and Elisabeth Vigée-Lebrun (Cat.27) for the catalogue '*Self Portrait: Renaissance to Contemporary*', London, 2005, which accompanied the exhibition at the National Portrait Gallery.

Catherine Chastney:

- 'Out of the Frame – Outreach for Elderly People in Day Centres and Care Homes', *GEM News*, 100 (2006)

David Edge:

- 'Duplex Armour: an Unrecognised Mode of Construction', with Anthony de Reuck, David Starley, Thom Richardson, *Arms and Armour* (Journal of the Royal Armouries), Vol. 2, No. 1, 2005, pp. 1-26
- 'The restoration of a 15th century 'Gothic' equestrian armour in the Wallace Collection, London', *Make All Sure: The Conservation and Restoration of Arms and Armour* (the proceedings of a conservation conference in Malta, October 2002), edited by Robert Douglas Smith, Basiliscoe Press, Leeds, 2006

Jürgen Huber:

- Acknowledged several times in the V&A Conservation Journal No. 52 Spring edition 2006, in an article written by Zoe Allen on the work carried out on behalf of the WMF at the Chinese Palace in St Petersburg in May 2005.
- Small article on the Conservation Treatment of F407 (Boulle chest-of-drawers) in ICOM News, March 2006, 3rd edition.

Jürgen Huber and Eleanor Tollfree

- 'A new commode from an old: Conservation discoveries at the Wallace Collection', *The Furniture History Society Newsletter*, No.158, May 2005, pp.3-5.

Rosalind Savill

- 'A Sèvres porcelain tea service in the Victoria and Albert Museum with surprising credentials', *The French Porcelain Society Journal*, vol 2, 2005, pp.39-46.

Eleanor Tollfree:

- Report on Boulle Study session at Boughton House, *The Furniture History Society Newsletter*, No.160, November 2005, pp.25-6.
- 'Brûle-parfum, Paris, 1774-5', Fiche 407 B in *L'Estampille/L'Objet d'Art*, No.407, novembre 2005.

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- Revised short article on 'Curating: Furniture' in *Careers in Art History*, a booklet produced by the Association of Art Historians., pp.48-51, for republication.
- 'Le mobilier de Marie-Antoinette à la Wallace Collection, *Versalia (Journal of the Friends of Versailles)*, No.9, 2006, pp.156-177

Jeremy Warren:

- 'Forgery in Risorgimento Florence. Bastianini's "Giovanni delle Bande Nere" in the Wallace Collection', *The Burlington Magazine*, Vol.CXLVII (November 2005), pp.729-741
- *Seeing Secret Harmonies. Pictures of Anthony Powell*, The Wallace Collection and Times Literary Supplement, London 2005 (with Ferdinand Mount, D.J. Taylor, Hilary Spurling)
- *Dancing to the Music of Time. The Life and Work of Anthony Powell*, exhibition handlist, The Wallace Collection, London 2005
- Review of Peter Diemer (ed.), with Elke Bujok and Dorothea Diemer, *Johann Baptist Fickler. Das Inventar der Münchner herzoglichen Kunstkammer von 1598* Munich 2004, *Journal of the History of Collections*, Vol.17, Number 2 (2005), pp.241-242
- Review of Anthony Radcliffe and Nicholas Penny, *Art of the Renaissance Bronze 1500-1650. The Robert H. Smith Collection*, London, 2004, *The Burlington Magazine*, Vol.CXLVII (December 2005), pp.830-831
- Review of the exhibition 'Bronze. The Power of Life and Death' Henry Moore Institute, Leeds, *Apollo*, Vol.CLXII (December 2005), pp.74-77
- "A little ould man called John Bollogna... not inferior much to Michell Angelo": Giambologna in Inghilterra e in America', pp. 126-141 in eds. Beatrice Paolozzi Strozzi and Dimitrios Zikos, *Giambologna, gli dei, gli eroi. Genesi e fortuna di uno stile europeo nella scultura*, exhibition catalogue, Museo Nazionale del Bargello, Florence, March-June 2006
- Catalogue entry on terracotta torso of Hercules, p.178, no.10 of Giambologna catalogue
- 'A Renaissance Bronze Lamp', *The Ashmolean*, 50 (Spring 2006), pp.6-7

Alan Williams:

- Studi metallografici in situ sull'armatura della Basilica della Beata Vergine delle Grazie, Udine" (with Giumlia-Mair, A.) *Aquileia Nostra*, LXXV (Udine, October 2004) 394-422.

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Annex C - Exhibitions in 2005-06

Francois Boucher: Seductive Visions

30 September 2004 – 17 April 2005

Boucher: Seductive Visions was the most exciting and ambitious exhibition The Wallace Collection had ever held. Built around The Wallace Collection's own incomparable holdings of Boucher's paintings and Boucher-inspired miniatures, gold boxes and Sevres porcelain, the exhibition showcased the immense range and quality of his work. Furniture, miniatures, books, shells and corals further helped to set the Bouchers in context. In his heyday Francois Boucher (1703-1770) was the consummate embodiment of Rococo luxury and refinement. His extraordinary career saw him scale the heights of the Academic hierarchy and work for a string of prestigious clients including King Louis XV and the King's mistress, Madame de Pompadour. His luscious female nudes and poetically imaginative pastorals led to him being acclaimed as 'the Painter of the Graces' and the 'Anacreon of Painting', yet only a few years after his death his enchanted vision of gods and goddesses, nymphs and lovelorn shepherds had been swept away by the austere neoclassicism of David, the Revolution and the Guillotine.

For six months only this, the most impressive collection of Boucher's paintings in the world, was displayed alongside a breathtaking range of porcelain, miniatures and goldsmiths' work influenced by his designs and complimented by three accompanying exhibitions, the last of which was:

Seductive Revisions: New Responses to Boucher

17 March 2005 ~ 17 April 2005

This exciting exhibition showcased works by community and education groups in response to Boucher: Seductive Visions. Contributors comprised students from primary schools in Brent and Ealing, 'Gifted and Talented' pupils in Westminster, Kensington and Chelsea, London-based artists who have been affected by homelessness or social exclusion, students of textiles at Chelsea College of Art, and postgraduate students attending the Prince's Drawing School. Each group created their own personalised response to Boucher's work. The variety of source material, from Boucher's designs for luxurious gold boxes to his virtuoso depiction of the nude and his visions of pastoral fantasy, resulted in a range of interpretations, from intricate 3D set-designs, to a video installation featuring rococo-inspired sights and sounds!

Salvator Rosa: Wild Landscapes

23 June ~ 18 September 2005

This major exhibition, organised with Compton Verney (where it was on display from 25 March to 5 June 2005), brought together an outstanding array of paintings and drawings by the great seventeenth-century painter Salvator Rosa. At the Wallace Collection the exhibition contained nine oil paintings, plus drawings and prints, all by

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Rosa himself. Loans came from the National Gallery, the British Museum, the National Gallery of Scotland, Chatsworth and elsewhere.

Salvator Rosa (1615-73) was the most famous Italian landscape painter of the seventeenth century. Many of his works have a mysterious, often violent character, distinguishing them from those of his contemporaries Gaspard Dughet and Claude. They seem to reflect something of his character which was combative and melancholy: indeed he was almost as well known for his personality as his art. As well as being a painter, he was a musician, an actor and a poet. His artistic influence was widespread and profound, influencing landscape developments in Italy and England (where he had an enormous reputation in the eighteenth century). The Wallace Collection owns one of his greatest masterpieces: *River Landscape with Apollo and the Cumaean Sibyl*.

Dancing to the Music of Time: The Life and Work of Anthony Powell

3 November 2005 - 5 February 2006

Anthony Powell (1905-2000) was one of the most important English novelists of the twentieth century and a key member of a group of writers, among them Cyril Connolly, George Orwell and Evelyn Waugh, who came to prominence in the late 1920s and early 1930s. He is best known for his twelve-novel sequence *A Dance to the Music of Time* which took its title from Nicolas Poussin's great painting in the Wallace Collection.

Even the extraordinary cyclical and balletic quality of the novels took its cue from this painting. Anthony Powell loved the Wallace Collection and was a close friend of Sir Francis Watson who was a curator at the Collection from 1937 and Director 1963-74.

This exhibition focused on Powell's life, his friends and contemporaries, and his career as a novelist and art collector. Among the objects on display were portraits of Powell and his friends and many original manuscripts and illustrations relating to *A Dance to the Music of Time*. These included typescripts of the novels, his manuscript notebook and drawings for book covers by Misha Black, Osbert Lancaster and Mark Boxer.

Powell's acute sense of humour is evident in his scrapbooks and a photo album documenting a spoof detective mystery 'The Tranby-Croft Case' acted out by Powell and his wife, together with Francis Watson and Gerald Reitlinger during a weekend in 1937. Works of art from Powell's own collection included drawings and paintings by J.F. Lewis, Vuillard and Picasso. There were many associated events, including lectures, readings and the Anthony Powell Centenary Conference that took place at the Wallace Collection, 2-3 December 2005.

The Founders of the Wallace Collection

2 March – 14 May

This exhibition offered the chance to learn more about The Founders of the Collection: the first four Marquesses of Hertford and Sir Richard Wallace. With paintings, miniatures, prints and manuscripts this display will answer many visitors' questions about how the Collection was formed and how it became a national museum. Among objects on show were several recent acquisitions for the historic collection of Hertford

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House, including a pastel portrait of the 1st Marquess of Hertford and letters from the 4th Marquess.

Great British Watercolours

2 March – 14 May

The Wallace Collection owns a splendid group of watercolours by British and French artists of the nineteenth century. For conservation reasons, these can only rarely be publicly displayed. This exhibition displayed a selection of our finest British watercolours by artists such as Turner (four scenes in Yorkshire, painted 1809-16), Bonington, Callow, David Roberts and Clarkson Stanfield.

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Annex D - Treasures of the Month

2005-06

April	A Cornelian Snuff Box
May	A Highland Scene by Edwin Henry Landseer
June	Queen Marie-Antoinette's Perfume Burner
July	The Horn of St Hubert
August	Frontispiece to Boethius, De Consolatione Philosophiae
September	A Venetian Renaissance glass goblet
October	A Hunt Breakfast and The Death of a Stag by Jean-Francois de Troy
November	Portraits of Louis XVI and Marie-Antoinette, attributed to Antoine-Francois Lebrun
December	The Adoration of the Magi by Peter Paul Rubens
January	French Renaissance Enamel
February	Cosimo I de' Medici's falchion
March	Landscape with a Waterfall by Jacob van Ruisdael

Annex E - Public Enquiries

Arms & Armour	200
Conservation	133
Paintings	367
Earthenware, ceramics, glass, Limoges enamels	19
Sculpture and works of art	105
Sèvres porcelain and gold boxes	34
Furniture	255
Library	Public enquiries 205, Library visitors 311

Annex F – Changes in Attribution

The terracotta sculpture of Giovanni delle Bande Nere (Inv.S57) has been re-attributed to the 19th-century Florentine sculptor Giovanni Bastianini (1830-1868) following Jeremy Warren's publication in *The Burlington Magazine* of documents proving that the figure is in fact Bastianini's work, and not as until then supposed a genuine Renaissance sculpture.

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Annex G – List of Objects Conserved

This list covers those items conserved by Wallace Collection conservation staff in year; it does not cover those items conserved externally.

F47 marriage coffer on stand	A756 Dagger, Knife and Sheath.
F48 marriage coffer on stand (on-going)	A853 Stiletto.
F508 gilt-wood mirror frame	A805 Left Hand Dagger.
F509 gilt-wood mirror frame	A861 Stiletto Sheath.
III G307 reliquary glass	A789 Left Hand Dagger.
XII A94 'bee' pendant	A842 Dagger.
OA1789-94 panoply of a Rajput Warrior	A760 Dagger and Sheath.
OA1701 Chinese Mandarin's robes	A755 Dagger, Knife, Pricker and Sheath.
OA1750 Sword	A761 Dagger
OA 1785 Sword	A822 Stiletto.
OA 1755 Sword	A735 Scottish Dirk
A1090 long-gun	A990 Commanders Baton
A1086 long gun	A1062 Archers Bracer
A51 suit of half-armor	A314 Pageant Shield
A9 mail collar	A330 Embossed Pageant Shield
A128 Comb Morion.	A1244 Small Cannon
A126 Comb Morion.	A710 Falchion
A289/90 Cuisses.	A328 Embossed Pageant shield
A396/7 Horse Bits.	A315 Buckler
A425/6 Stirrups.	A991 Sceptre
A1308 Priming Flask/Wheel-lock Key.	A325 Embossed Pageant Shield
A371/2 Spurs.	A323 Embossed Pageant Shield
A58 Breast and Backplate.	A321 Embossed Pageant Shield
A228 Lance Rest.	A1246 Collection of Gunners Instruments.
A1323 Wheel-lock Key.	A312 Leather Target.
A239 Gorget.	A311 Leather Target.
A1322 Wheel-lock Key.	A318 Buckler
A1326 Wheel-lock Key.	A332 Embossed Shield
A1327 Linstock	A310 Leather Target
A141 Morion.	A313 Pageant Shield
A95 Burgonet.	A989 Commanders Baton
A92 Burgonet.	A413 Pair of Saddle Plates
A125 Morion.	A411 Saddle
A126 Comb Morion.	A412 Saddle
A217 Breastplate.	A418 Pair of Saddle Steels
A234 Gorget.	A423 Saddle Steel
A1332 Horn.	A1054 Cranequin
A753 Dagger.	A421 Saddle Steel
A771 Dagger and Sheath.	A419 Saddle Steel
A923 Shears and Case.	A422 Saddle Steel
A920-2 Knife/Fork/Sheath.	

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A414 Saddle Plate	A718 Hanger
A1053 Goats Foot Lever	A717 Falchion
A1059 Crossbow Windlass	A715 Cutlass
A1117 Double-Feed Wheel-Lock	A1305 Priming Flask
A1056 Rack	A502 Sword and Sheath
A1171 Small Wheel-Lock Pistol	A503 Baselard
A1182 Wheel-Lock Pistol	A708 Sabre
A1161/A1162 Pair of Wheel-Lock Pistols	A455 Sword Hilt
A1159/60 Pair of Wheel-Lock Pistols	A821 left-Hand Dagger
A1155/56 Pair of Wheel-Lock Pistols	A700 Hunting-Sword, Sheath and Implements
A1179 Wheel-Lock Pistol	A115 Combed Morion
A1151 Double-Barrel Wheel-Lock Pistol	A1211/12 Pair of Flintlock Pistols
A1176 Wheel-Lock Pistol	A1213/14 Pair of Flintlock Pistols
A1157/58 Pair of Wheel-Lock Pistols	A1143 Wheel-Lock Pistol
A1180/81 Pair of Wheel-Lock Pistols	A1134 Double-Barrelled Flintlock Gun
A1231/32 Pair of Flint-Lock Pistols	A1154 Wheel-Lock Pistol
A1199/1200 Pair of Flint-Lock Pistols	A1187/88 Pair of Wheel-Lock Pistols
A1206 Tinder Lighter	A1215 Flint-Lock pistol
A1173/74 Pair of Wheel-Lock Pistols	A1216 Flint-Lock Pistol
A1183 Wheel-Lock Pistol	A1136/37 Pair of Wheel-Lock Pistols
A1203/04 Pair of Flintlock Pistols	A1143 Wheel –Lock Pistol
A1209/10 Pair of Flintlock Pistols	A1234/35 Pair of Flint-Lock Pistols
A1165/66 Pair of Miniature Wheel-Lock Pistols	A700 Short Sword
A1183 Wheel-Lock Pistol	A1201/02 Pair of Flint-Lock Pistols
A1209/10 Pair of Flint-Lock Pistols	A37 Basagues
A1147 Wheel-Lock Pistol	A38 Besagues
A1177 Wheel-Lock Pistol	A512 Sword Blade
A1139/40 Pair of Wheel-Lock Pistols	A21 Eye-guards (shanfron).
A1148 Wheel-Lock Pistol	A20 Visor
A1149 Wheel-Lock Pistol	A1136/37 Pair of Wheel-Lock Pistols
A1146 Wheel-Lock Pistol	A1234/35 pair of Flint-Lock Pistols
A1189 Wheel-Lock Pistol	A59 Tassets
A395 Horse Bit	A1168/69 Pair of Double-Barrelled Wheel-Lock Pistols
A341 Pageant Shield	A1184/85 Pair of Wheel-Lock Pistols
A1150 Wheel-Lock Pistol	A243 Pair of Arms
A1164 Wheel-Lock Pistol	A1032 Crossbow
A1138 Wheel-Lock Pistol	A232 Gorget
A1175 Wheel-Lock Pistol	A1261 Powder Flask
A1167 Wheel-Lock Pistol	A1298 Primer
A1172 Wheel-lock Pistol	A1190 Pommel of a Pistol
A1178 Wheel-Lock Pistol	A1312 Patron
A1221/22 Pair of Flint-Lock Pistols	A1292 Powder Flask
A714 Cutlass	A1297 Primer
	A1186 Wheel-Lock Pistol

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A1193/94 Pair of Snaphaunce Pistols
A1225/26 Pair of Flint-Lock Pistols
A1292 Powder Flask
A1311 Patron
A1275 Powder Flask
A1314 Patron
A1268 Powder Horn and Primer

A1250 Powder Flask and Primer
A1272 Powder Flask
A1223/24 Pair of Flint-Lock Pistols
A1191/92 Pair of Snaphaunce Pistols
A1219/20 Pair of Flintlock Pistols
A1270 Powder Flask.

Annex H – Staff, External Positions Held

Rosalind Savill

Winner of 2005 European Woman of Achievement Award: Arts and Media.
President of French Porcelain Society
Trustee of the Holburne Museum of Art
Member of Royal Mint Advisory Committee
Member of the Museum Libraries and Archives Council Accreditation Committee
Member of the Apsley House Advisory Panel
Member of the National Trust Arts Panel
Trustee of the Campaign for Museums
Trustee of the Attingham Trust
Holder of an Honorary Doctorate by Buckinghamshire and Chiltern University
College (for support of furniture conservation)

David Edge

Board Member of Oakeshott Institute (dedicated to the study and research of historic swords)
Membership of Meyrick Society
Membership of Arms and Armour Society of Great Britain
Honorary membership of Arms and Armour Society of America
Membership of Arms and Armour Research Society
Member of the United Kingdom Institute of Conservation
Served on vetting committee for Arms and Armour TEFAF, Maastricht, 2005
Served on Anglo-Sikh Heritage Committee

Suzanne Higgott

Membership of the Board of the British Committee of the Association for the History of Glass

Jürgen Huber

Membership of the United Kingdom Institute of Conservation

Christina McGregor

Registered MDA (Museums Documentation Association) Trainer

Clare O'Brien

Member, NMDC Marketing Group

Simon Pink

Member, DCMS Museums and Galleries Efficiency Project Board
Member, Museums and Galleries Heads of Finance Group
Member, NMDC Operations Group

Eleanor Tolfree

Committee member for the Furniture History Society

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Editor for the Attingham Society Newsletter

Editorial Board, *The Art Book*

Committee member of the Society of Decorative Arts (SODAC)

Jeremy Warren

Member, Editorial Board, *The Sculpture Journal*

Member, Advisory Board, Anglo-Sikh Heritage Trust

Member of Scientific Committee for exhibition: *Giambologna: Heroes and Gods*,
Museo del Bargello, Florence, 2006

Member of Advisory Committee for Society of Antiquaries' Tercentenary
exhibition, 2007

Expert advice to the Reviewing Committee on the Export of Works of Art

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Annex I - The Wallace Collection and Hertford House Marketing Limited Staff

Staff in post at 31st March 2006

Director's Office

Rosalind Savill CBE FSA

Director

Dragica Carlin

Curatorial Department

Jeremy Warren FSA

Assistant Director: Head of Collections

Sophie Carr

Stephen Duffy

Joanne Hedley

Suzanne Higgott

Elisa Sani

Eleanor Tollfree

Rebecca Wallis

Conservation Department

David Edge

Head of Conservation

Stephen Craig

Jurgen Huber

Deborah Lee

Alan Williams

Education Department

Emmajane Avery

Head of Education

Emma Bryant

Catherine Chastney

Beth Kingston

Hayley Kruger

Library and Archives

Andrea Gilbert

Giovanna Hendel

Collections Management

Christina McGregor

Project Manager

Rachel Holley

Paul Frattaroli

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Phoebe Harris
Jessica Rapson

Picture Library

Melanie Oelgeschlager

Development and Marketing

Clare O'Brien

Assistant Director: Head of Development and Marketing

Danielle Cunningham

Emma Garner

Events Department

Lucy Holmes

Head of Events

Helen Jacobs

William Shaw

Retail

Gino Brignoli

Acting Head of Retail

Dennis Dalby

Sophie Golden

Dean Marsh

Ariane Roux-Pages

Sonja Tiblijas

Elizabeth Ward

Finance and Operations

Simon Pink ACA

Assistant Director: Head of Finance and Operations

Zhinong Chen

Indranee Dayaseelan

Personnel

Lee McNally

Facilities

Keith Welch

Head of Building and Facilities

Tony Carlton

Everton Smith

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Security

John Power *Head of Security*

Security Staff Managers

Chris Burns

Catherine Smith

Security Supervisors

Colleen Cummins

Frank Docherty

Brian Mitchell

Patrick Rose

Security Team Members

Richard Bennett

Chris Chamberlain

Pauline Dixon

Sam King

Jim McKenna

Rudolph Notice

Alain Pottier

Martin Quirke

Jamie Samain

Gualtiero Vitelleschi

Gallery Team Members

Yasser Ahmed

Georgi Bojadzjew

Seth Brignell

Margaret Bruen

Hoffman Bynoe

Chris Caisley

Eric Carrington

David Chivers

Cynthia Christou

Anthony Codrington

Caroline Collinge

Rhonda D'Agnolo

Andreas D'Apice

Paola Ferracini

Beverley Fish

Vernon Goodwin

Kevin Grady

Thomas Gray

Louise Harmar

Philip Hausmeier

Marie Headen

Georgina Heskin

Magdalena Kondracka

Kafat Lam

Nazmeen Latif

David Legge

Jagz Madahar

Christina Marchant

Maria Mascot

Ivar Matheson

Anwar Mungroo

Michael Parkhouse

Roselyn Pridmore

Adrian Pye

Marie Reynolds

Peter Rispin

Pamela Ruff

Sergey Ruthovsky

Liudmila Sekirtchina

Alexander Stanbury

Glynis Younan

Annex J - Wallace Collection Supporters 2005-06

Heroes and Heroines

Companions

Anonymous
Viscountess Bridgeman
Peter and Sally Cadbury
The Marquess of Cholmondeley
Graham Drucker
Giles Ellwood
Peter B Ellwood CBE
Mr and Mrs Charles Haddon-Cave
Dr Anne Hogg
Mrs Della Howard
Mr and Mrs James Kirkman
Norman A. Kurland and Deborah A. David
Mr Michael Mackenzie
In Memory of the late A.V.B. [Nick] Norman
Mr and Mrs John Northover
Christylle Phillips
Timothy Schroder
Denise Stone
Tillotson Bradbery Charitable Trust
The Rt Hon Lord Tugendhat
Lord and Lady Tunnicliffe

Patrons

Anonymous
Lady Alexander of Weedon
Cynthia and Oliver Colman
Mrs Michel David-Weill
Lord and Lady Douro
Lady Heseltine
Dr. Alan J Horan OBE and Mrs Horan
Mr and Mrs Philip Hubbard
Lady Judge
Dr Jennifer Montagu
Charles and Caroline Pridgeon
Muriel and Bruce Rough
Rubin Foundation
Adrian Sassoon
The Dowager Lady Swaythling
Clement Wheeler

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Mr and Mrs Rainer Zietz

Benefactors

Christopher and Jennie Bland

Life Benefactors

Anonymous

Susan and John Burns

Dame Vivien Duffield

The Hon Simon Eccles

Mr Mark Elardo

Lord and Lady Harris of Peckham

Mrs Pamela Roditi

Mr Charles Russell

Sir John Ritblat and Family

Mrs Carolyn Townsend

Jack Verhoeven

Cecilia and Arend Versteegh

Chevaliers

The Hon Simon Sainsbury

Joe Lewis Esq

Sir Nicholas Goodison

Count Andrew Ciechanowiecki

American Friends

The American Friends of the Wallace Collection

Major Supporters - Room Refurbishment

Anonymous

Manny and Brigitta Davidson and Family

Susan and Samuel Lehrman

Sir John Ritblat and Family

Arend and Cecilia Versteegh

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Bequests

John McKee

Corporate Sponsors

Christie's
Random House

Corporate Members

Baroque Members

The British Land Company Plc
Colliers CRE
Living Capital Ltd

Renaissance Members

McKinsey & Company
The Portman Estate

Government

Department of Culture, Media and Sport

Trusts and Foundations

The Adapt Trust	The Kirby Laing Foundation
Awards for All	The Leathersellers' Company
The Friends of The BADA Trust	Charitable Fund
John S Cohen Foundation	Leonard Chadwick Charitable Trust
The Coral Samuel Charitable Trust	The Lynn Foundation
The Coutts Charitable Trust	John Lyon's Foundation
Excel Fund	The Oppenheimer Charitable Trust
The John Ellerman Foundation	The Plum Trust
The Foyle Foundation	The William Arthur Rudd Memorial
The Robert Gavron Charitable Trust	Trust
J Paul Getty Jr Charitable Trust	The Two R's Charitable Trust
The Grocers' Charity	Tillotson Bradbery Charitable Trust
The Charles Hayward Foundation	William Arthur Rudd Memorial Trust
The Matthew Hodder Charitable	
Trust	

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Organisations and individuals holding events at the Wallace Collection

2006 Woman of Achievement Awards	Launchpad Events
Absolute Corporate Events	Linklaters
Alison Price	Livingstone Guarantee
AlixPartners	London Mayor's Office
Allen & Overy LLP	Macfarlanes
Apax Partners Ltd	Manches
Art Fund	Marchday
Ashurst	MCA Directors
BDO Stoy Haywood	Morgan Stanley & Co.
Boodle Hatfield	Mrs Hadjipateras
Booz Allen Hamilton	Ms Penny De Valk
British Land	Natexis Banques
Cable & Wireless	Populaires
Caprice Events	National Grid
CC4000	NERA UK
CECA	News International
Cedar Rock Capital	Nexen Inc
Chance Organisation	Orion Publishing
Citigroup Private Bank	Price Waterhouse Coopers
CJ Associates	Princeton University
Denton Wilde Sapte	Rothschild's
Dowal Walker	Royal Bank of Scotland
Englefield Capital	Silcock Dawson
EventWise	Silver Lake
Exxon Mobil	Sir John Kemp-Welch
Financial Dynamics	SJ Berwin
French Porcelain Society	Slaughter & May
Garrett Axford Ltd	Suzi Howard & Paul
Girls Day School Trust	Rahim
Glovers	The Communication Group
Greek Embassy	The Daily Mail
Greenpark	The Portman Estate
HOK SVE	UBS
Impulse Events	Warm Rain
ING Real Estate	Weidenfeld & Nicolson
Ingram	Weizmann
iPass	Wessex Asset Management
Kaye Stewart Associates	Westfield
Kier Property	
Land Securities Trillium	

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Statement of Trustees' and Director's Responsibilities

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

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

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

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

Sir John Ritblat
Chairman

12 July 2006

Rosalind Savill
Director and Accounting Officer

12 July 2006

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

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Statement on Internal Control

Scope of responsibility

1. As Accounting Officer and Chair of Trustees (as representative of the Board of Trustees), we have responsibility for maintaining a sound system of internal control that supports the achievement of The Wallace Collection's aims and objectives whilst safeguarding the public funds and the Collection's assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to her in Government Accounting.

2. The Wallace Collection has a three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes targets to assist the Department in meeting its Public Service Agreement targets and identifies the most significant risks to achieving The Wallace Collection's objectives. Progress against Funding Agreement targets is formally monitored at least twice a year.

The purpose of the system of internal control

3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Wallace Collection for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

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

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The risk and control framework

5. An integral part of our risk management strategy is The Wallace Collection's own risk assessment document. This is updated each year, covers the key risks that the Collection faces and assigns a key individual to manage that risk. Risk is also considered on a continuous basis through discussion at weekly staff meetings, drawing on the experience of senior team members.

6. The Collection's risk appetite is necessarily low, given the history of enforced financial constraint. The success of the Centenary Project has however given the Collection a lift and means that slightly riskier projects can now be considered. In 2005-06 this can be seen by the decision to go ahead with the refurbishment of four galleries, two of which were completed in year. Whilst such projects may be considered to be higher risk, the controls over the decision making process mean that risk taking is limited to well thought out projects. All new projects are considered at Accounting Officer and Trustee Board level. They are robustly costed and considered in the context of the potential benefits and risks to the Collection, be that financial, reputational or otherwise.

7. The risk priorities of The Wallace Collection in 2005-06 have been:

- Increasing visitor numbers and understanding of the Collection without either undermining the reputation of The Wallace Collection or contravening the terms of Lady Wallace's bequest, primarily through a high profile exhibitions programme and the development of a Collections Management System;
- Increasing self generated income without increasing the risk to the fabric of the building; and
- Keeping the precarious balance between financial constraint, increasing pressure to expand services and maintaining and improving the fabric of a Grade II listed building.

Review of effectiveness

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

9. An internal audit service continued throughout the year. Once again the internal auditor was able to provide the Accounting Officer and Board of Trustees with a full assurance statement for 2005-06. Internal Audit's overall assessment was that the controls in place were generally sound.

The Wallace Collection Annual Report and Accounts 2005-06

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

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

11. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board and the Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Sir John Ritblat
Chairman

12 July 2006

Rosalind Savill
Director and Accounting Officer

12 July 2006

The Wallace Collection Annual Report and Accounts 2005-06

THE WALLACE COLLECTION AND GROUP

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

I certify that I have audited the financial statements of The Wallace Collection for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, with the consent of the Treasury. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Wallace Collection has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 52 to 54 reflects The Wallace Collection and the group's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of The Wallace Collection and the group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an

The Wallace Collection Annual Report and Accounts 2005-06

assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to The Wallace Collection and the group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, of the state of the affairs of The Wallace Collection and of the group as at 31 March 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

12 July 2006

The Wallace Collection Annual Report and Accounts 2005-06

Consolidated Statement of Financial Activities for the year ended 31 March 2006

	Notes	Unrestricted Funds	Restricted funds	Total 2005/06	Total 2004/05 (restated)
		£	£	£	£
Incoming resources					
Incoming Resources from generated funds					
Voluntary Income					
Donations and similar resources	2	165,459	724,959	890,418	784,433
Grant-in-Aid	2	2,580,000	0	2,580,000	2,594,000
Other Public Funds	2	0	160,000	160,000	80,000
Activities for generating funds					
Trading income	19	1,117,258	0	1,117,258	956,817
Exhibition income		7,691	0	7,691	154,458
Investment income	4	12,774	10,576	23,350	32,134
Incoming resources from charitable activities	3	63,483	0	63,483	46,516
Total incoming resources		3,946,665	895,535	4,842,200	4,648,358
Resources expended					
Costs of generating funds					
Costs of generating voluntary income					
Fundraising expenditure		100,990	0	100,990	117,993
Marketing and design expenditure		173,775	0	173,775	341,565
Fundraising trading: cost of goods sold and other costs	19	593,919	0	593,919	577,964
Charitable activities					
Conservation expenditure		150,233	82,520	232,753	205,327
Curatorial expenditure		578,550	214,546	793,096	864,260
Security expenditure		1,296,048	0	1,296,048	1,486,495
Building and maintenance expenditure		939,762	465,632	1,405,394	1,146,514
Governance Costs		52,105	6,143	58,248	32,792
Total resources expended		3,885,382	768,841	4,654,223	4,772,910
Notional costs:					
Cost of Capital	6	57,308	32,092	89,400	69,988
Net incoming/(outgoing) resources before transfers		3,975	94,602	98,577	-194,539

The Wallace Collection Annual Report and Accounts 2005-06

Reversal of notional costs		57,308	32,092	89,400	69,988
Net incoming resources before other recognised gains and losses		61,283	126,694	187,977	-124,552
Gains on revaluation of fixed assets for charity's own use		115,751	1,046,447	1,162,198	3,322,793
Net movement in funds		177,034	1,173,141	1,350,175	3,198,241
Total funds brought forward		2,379,469	32,705,646	35,085,115	31,886,875
Total funds carried forward	17	2,556,503	33,878,787	36,435,290	35,085,116

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

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

The notes on pages 62-80 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2005-06

Consolidated Balance Sheet at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	12	<u>36,113,318</u>	<u>34,503,078</u>
Current assets			
Stock	13	230,614	195,771
Debtors	14	323,556	296,752
Cash at bank and in hand	18	380,128	650,664
		<u>934,298</u>	<u>1,143,187</u>
Creditors: amounts falling due within one year	15	<u>-612,326</u>	<u>-561,149</u>
Net current assets		<u>321,972</u>	<u>582,038</u>
Net assets	16	<u>36,435,290</u>	<u>35,085,116</u>
Represented by:			
Income funds			
Restricted income funds	17	33,878,787	32,705,647
Unrestricted funds:			
Designated income funds	17	2,308,865	2,184,823
General income funds	17	247,638	194,646
		<u> </u>	<u> </u>
Total funds	17	<u>36,435,290</u>	<u>35,085,116</u>

Sir John Ritblat
Chairman

12 July 2006

Rosalind Savill
Director and Accounting Officer

12 July 2006

The notes on pages 62-80 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2005-06

The Collection Balance Sheet at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Investment	8	2	2
Tangible assets	12	36,095,884	34,479,887
		<u>36,095,886</u>	<u>34,479,889</u>
Current assets			
Stock	13	94,149	63,012
Debtors	14	504,042	474,171
Cash at bank and in hand		157,828	518,156
		<u>756,019</u>	<u>1,055,339</u>
Creditors: amounts falling due within one year	15	-429,614	-458,112
Net current assets		<u>326,405</u>	<u>597,227</u>
Net assets		<u>36,422,291</u>	<u>35,077,116</u>
Represented by:			
Income funds			
Restricted income funds		33,878,787	32,705,647
Unrestricted funds:			
Designated income funds		2,308,865	2,184,823
General income funds		234,639	186,646
		<u>2,543,504</u>	<u>2,371,469</u>
Total funds		<u>36,422,291</u>	<u>35,077,116</u>

Sir John Ritblat
Chairman

12 July 2006

Rosalind Savill
Director and Accounting Officer

12 July 2006

The notes on pages 62-80 form part of these financial statements

The Wallace Collection Annual Report and Accounts 2005-06

Cash Flow Statement for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	18 a)	784,832	571,520
Returns on investment and servicing of finance	18 b)	23,350	32,134
Capital expenditure and financial investment	18 b)	-1,078,717	-389,221
Increase (decrease) in cash in the year	18 c)	-270,535	214,433

The Wallace Collection Annual Report and Accounts 2005-06

Notes to the financial statements for the year ended 31 March 2006

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 Companies Act 1985, the Statement of Recommended Practice "Accounting and Reporting by Charities" (2005), the HM Treasury Financial Reporting Manual and applicable accounting standards.

The consolidated accounts are for The Wallace Collection and Hertford House Marketing Ltd; they exclude the accounts for the American Friends.

The figures on the Statement of Financial Activities for 2004-05 have been restated to take into account the Charities SORP 2005.

b) Incoming resources

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

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

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

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

c) Expenditure

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements. Prior year management and administration costs have been restated to comply with SORP 2005 requirements. The basis for apportionment is set out in Note 10. The make up of governance costs is set out in Note 9.

The Wallace Collection Annual Report and Accounts 2005-06

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

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

d) Fund accounting

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

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

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

e) Tangible fixed assets

Tangible fixed assets with a cost price of £500 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £100 and purchased in bulk are pooled and capitalised when the combined total exceeds £500. The property, Hertford House, was transferred to the Trustees of the Collection by the Secretary of State for the Environment on 22 December 1993. The basis for the valuation for this property is stated in note 12.

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

Freehold land	- not depreciated
Freehold buildings	- over the expected remaining life, assessed as 100 years at 31 March 2006
Office equipment	- over 4 years
Fixtures and fittings	- over 4 years (electrical equipment) 10 years (other fixtures and fittings) and 25 years (refurbishment projects)

The Wallace Collection Annual Report and Accounts 2005-06

The fixed assets are re-valued to current costs, where material, using a range of appropriate indices.

f) Stock

Stock comprises goods for resale, and is stated at the lower of cost and net realisable value after making due allowance for slow moving items as follows:

Hardback and paperback catalogues

- 20% write down in value from the first full year on sale on a reducing balance basis subject to an estimated residual value.

g) Collection objects

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

h) Leases

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

i) Foreign currencies

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

j) Pension costs

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

k) Notional costs

In accordance with Treasury guidance, notional costs of capital are charged at 3.5% (2004/05 3.5%) in the Statement of Financial Activities in arriving at "Net incoming/(outgoing) resources." These are then reversed so that no provision is included in the Balance Sheet.

The Wallace Collection Annual Report and Accounts 2005-06

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

1) The Hertford House Trust

The Hertford House Trust was established in year, using a donation from an ex-Trustee of the Wallace Collection. The Trustees of the Trust comprise ex-Trustees of the Wallace Collection, plus the current Director and Chairman, who have lesser voting rights. The accounts of the Hertford House Trust are not consolidated into these accounts as it has been deemed that the Wallace Collection does not have control over the Trust.

The Wallace Collection Annual Report and Accounts 2005-06

2. £2,580,000 (2004/05 £2,474,000) of Grant in Aid has been received from the Department for Culture, Media and Sport (Request for Resources 1) during the year, of which £150,000 has been used to fund capital improvements (2004/05 £210,000); the remainder was used to fund operating expenditure. An additional £160,000 was received from DCMS/DfES for strategic commissioning of e-learning and regional partnerships (2004/05 £80,000). Donations and similar charges include a donation of £250,000 from the Chairman of the Wallace Collection, plus £150,000 from a second donor. These donations were towards the cost of refurbishing the galleries.

3. The operating income from collection activities of £63,483 (2004/05 £46,516) includes £56,556 income from education activities (2004/05 £42,913), £750 for the "Adopt a Seat" scheme (2004/05 £250) and other miscellaneous income of £6,177 (2004/05 £2,866).

4. Investment income

	2005/06	2004/05
	£	£
Interest receivable	<u>23,350</u>	<u>32,134</u>

Interest is earned on short-term cash deposits.

5. Total resources expended

	Staff costs	Other costs	Depreciation	2006	2005 Total
	£	£	£	£	£
Costs of generating funds					
Fundraising	69,047	31,943	0	100,990	117,993
Marketing and Design	80,714	93,062	0	173,776	341,565
Trading expenditure	267,780	319,538	6,601	593,919	577,964
Charitable activities					
Conservation	150,967	81,785	0	232,752	205,327
Curatorial	491,317	301,779	0	793,096	864,260
Security	1,204,282	91,766	0	1,296,048	1,486,495
Building and Maintenance	153,930	620,332	631,134	1,405,396	1,146,514
Governance	0	58,246	0	58,246	32,793
	<u>2,418,037</u>	<u>1,598,451</u>	<u>637,735</u>	<u>4,654,223</u>	<u>4,772,910</u>
Add Salaries capitalised	63,372				
	<u>2,481,409</u>				

The Wallace Collection Annual Report and Accounts 2005-06

a) Curatorial costs

	2005/06	2004/05
	£	£
Staff costs	491,317	339,797
Education and Exhibitions	130,337	241,247
Library and Archives	29,334	38,751
Other	111,330	64,800
Publications	30,778	42,322
	<hr/> 793,096	<hr/> 726,917

b) Staff costs

	2005/06	2004/05
	£	£
Wages and salaries	1,985,629	1,973,874
Social security costs	146,103	158,233
Pension costs	307,286	211,484
	<hr/> 2,439,018	<hr/> 2,343,591
Casual staff costs	42,391	212,641
	<hr/> 2,481,409	<hr/> 2,556,232

There were four members of Senior Management in the year, being the Director and three Assistant Directors (2004/05 four). Other than the Director, no other member of staff had taxable earnings above £60,000 in 2005/06 (2004/05 none)

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a non-contributory and unfunded multi-employer defined benefit scheme but The Wallace Collection is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31st March 2003. Details can be found in the resource accounts of the cabinet office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005/06, employers' contributions of £307,506 were payable to the PCSPS (2004/05: £208,083) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. At 31 March 2006 no member of staff had taken up this option (2004/05 one).

The Wallace Collection Annual Report and Accounts 2005-06

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

	Permanent Staff	Temporary Staff	Managerial Staff	2005/06 Total	2004/05 Total
Director's Office	1.0	0.0	1.0	2.0	2
Conservation	4.1	0.0	0.0	4.1	4
Curatorial	12.7	0.0	1.0	13.7	11
Security	52.9	3.0	0.0	55.9	56
Building and Maintenance	2.5	0.0	0.0	2.5	3
Fundraising	1.0	0.0	0.5	1.5	2
Marketing & Design	1.0	0.0	0.5	1.5	3
Trading	8.4	1.0	0.0	9.4	10
Finance and HR	3.0	0.0	1.0	4.0	4
	86.6	4.0	4.0	94.6	95

c) Director

During the year the Director received remuneration of £82,966 (2004/05:£92,832). This does not include a non consolidated bonus for the previous year as this was still awaiting approval (2004/05: £11,277). The Director's pension contributions of £20,410 (2004/05: £15,254) were charged to the Collection.

The Director's contract of employment is currently under negotiation.

The Director's salary and pension entitlements as at 31 March 2006 were as follows:

Salary including Bonus	Real increase in pension/lump sum	Total accrued pension/lump sum at age 60 at 31 March 06	CETV at 31 March 05	CETV at 31 March 06	Employee contributions/transfers in	Real increase in CETV after adjustments for and changes in market investment factors
£000	£000	£000	£000	£000	£000	£000
82	1/2	34/101	550	699	1	14

Director's Salary: Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation. At year-end a bonus for the previous year was still outstanding.

The Wallace Collection Annual Report and Accounts 2005-06

Director's Pension: The above table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. A CETV is a payment made by the pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV is the actuarially capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members accrued benefits and any contingent spouse's pension payable from the scheme. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty Actuaries.

The last column above reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

d) Trustees

The Trustees neither received nor waived any emoluments during the year (2004/05: £nil). Expenses reimbursed to one of the Trustees for travel and subsistence amounted to £761 (2004/05: £2,068). This was funded from a specific donation. The Chairman and Board of Trustees are appointed for periods of 3 to 5 years.

The Wallace Collection Annual Report and Accounts 2005-06

6. Notional cost of capital

Notional cost of capital is calculated as 3.5% (2004/05 3.5%) of the average capital employed by the Collection in the year (excluding Hertford House and the Collection), less an amount equal to assets originally donated. This amounted to £89,400 (2004/05: £69,988). The Treasury has agreed that Hertford House is a heritage asset and therefore subject to a nil cost of capital charge.

7. Net incoming resources

Net incoming resources are stated after charging:

	2005/06	2004/05
	£	£
Auditors' remuneration:		
External audit fees	19,950	19,725
Internal audit fees	5,950	5,950
Operating lease rentals for hire of plant and machinery	9,581	4,423
Travel, subsistence and hospitality	27,514	21,955

All external auditors' remuneration was for audit work.

8. Unlisted Investments

The Wallace Collection has £2 share capital in its trading subsidiary Hertford House Marketing Limited. Hertford House Marketing Limited commenced formal trading on 1 April 2000. The Wallace Collection owns 100% of the issued share capital of Hertford House Marketing Ltd. The Chairman of Trustees and the Collection's Director are the only directors of the company.

9. Governance costs

Governance costs
include:

	2005/06	2004/5
	£	£
Trustee Board costs	5,416	2,068
Legal Fees	26,930	5,025
Audit Fees	25,900	25,700

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10. Support Costs Breakdown by Activity

Support Costs	Conservation £	Curatorial £	Security £	Building & Maintenance £	Fundraising £	Marketing & Design £	Basis of allocation
Director's Office	701	3,505	701	701	701	701	By time
Finance	1,923	6,289	11,375	5,819	722	1,345	By expenditure
Human Resources	3,526	11,784	48,038	2,150	1,290	1,290	By staff nos
Office support and supplies	6,353	25,412	6,353	6,353	6,353	12,706	By use
Total	12,503	46,990	66,467	15,023	9,066	16,042	

11. Breakdown of Costs of Charitable Activity

Activity	Activities undertaken directly £	Support costs £	Total £
Conservation expenditure	198,145	34,607	232,752
Curatorial expenditure	648,081	145,015	793,096
Security expenditure	1,171,958	124,090	1,296,048
Building and maintenance expenditure	1,327,102	78,294	1,405,396
Fundraising expenditure	74,336	26,654	100,990
Marketing and design expenditure	137,801	35,974	173,775
Total	3,557,423	444,634	4,002,057

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12. Tangible fixed assets

Group	Freehold land and buildings	Fixtures and fittings	Office Equipment	Assets Under Construction	Total
	£	£	£	£	£
Cost/valuation					
Balance at					
01-Apr-05	35,080,938	2,158,634	319,171	35,248	37,593,991
Additions	44,484	67,809	14,534	951,891	1,078,718
Transfers	1,493,909	-785,320	0	-708,589	0
Disposals	0	-10,348	-41,772	0	-52,120
Revaluation	-1,619,331	55,886	0	0	-1,563,445
Balance at 31 March 2006	35,000,000	1,486,661	291,933	278,550	37,057,144
Depreciation					
Balance at					
1 April 2005	1,589,883	1,278,915	222,115	0	3,090,913
Charge for the year	475,184	120,519	42,032	0	637,735
Transfers	675,008	-675,008	0	0	0
Disposals	0	-17,408	-41,772	0	-59,180
Revaluation	-2,740,075	14,433	0	0	-2,725,642
Balance at 31-Mar-06	0	721,451	222,375	0	943,826
Net book value					
Balance at 31-Mar-06	35,000,000	765,210	69,558	278,550	36,113,318
Balance at					
31-Mar-05	33,491,055	879,719	97,056	35,248	34,503,078

The net book value at 31 March 2006 represents tangible fixed assets used for:

	Freehold land and buildings	Fixtures and fittings	Office equipment	Assets Under Construction	Total
	£	£	£	£	£
Charitable purposes	35,000,000	758,258	59,074	278,550	36,095,882

The Wallace Collection Annual Report and Accounts 2005-06

Trading Activities	0	6,952	10,484	0	17,436
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	35,000,000	765,210	69,558	278,550	36,113,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Collection

	Freehold land and buildings	Fixtures and fittings	Office Equipment	Assets Under Construction	Total
	£	£	£	£	£
Cost/valuation					
Balance at 01-Apr-05	35,080,938	2,109,870	256,283	35,248	37,482,339
Additions	44,484	67,809	13,690	951,891	1,077,874
Transfers	1,493,909	-785,320	0	-708,589	0
Disposals	0	-10,348	-34,160	0	-44,508
Revaluation	-1,619,331	55,886	0	0	-1,563,445
Balance at 31 March 2006	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	35,000,000	1,437,897	235,813	278,550	36,952,260
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 April 2005	1,589,883	1,238,568	174,001	0	3,002,452
Charge for the year	475,184	119,054	36,896	0	631,134
Transfers	675,008	-675,008	0	0	0
Disposals	0	-17,408	-34,160	0	-51,568
Revaluation	-2,740,075	14,433	0	0	-2,725,642
Balance at 31-Mar-06	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	0	679,639	176,737	0	856,376
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
Balance at 31-Mar-06	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	35,000,000	758,258	59,076	278,550	36,095,884
Balance at 31-Mar-05	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	33,491,056	871,302	82,282	35,248	34,479,887
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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Freehold buildings

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

13. Stock

	Group 2005/06	Group 2004/05	Collection 2005/06	Collection 2004/05
	£	£	£	£
Goods for resale	<u>230,614</u>	<u>195,771</u>	<u>94,149</u>	<u>63,012</u>

14. Debtors

	Group 2006	Group 2005	Collection 2006	Collection 2005
	£	£	£	£
Trade debtors	150,425	136,077	4,632	14,332
Other debtors	14,248	7,939	14,248	7,939
VAT debtors	64,083	47,543	105,166	67,098
Amount due from subsidiary	-	-	294,240	295,882
Prepayments and accrued income	94,800	105,193	85,756	88,920
	<u>323,556</u>	<u>296,752</u>	<u>504,042</u>	<u>474,171</u>

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

15. Creditors: amounts falling due within one year

	Group 2006	Group 2005	Collection 2006	Collection 2005
	£	£	£	£
Trade creditors	212,277	208,613	205,771	194,407
Taxation and Social Security	72,671	89,476	72,671	89,476
Accruals and deferred income	327,378	263,060	151,172	174,229
	<u>612,326</u>	<u>561,149</u>	<u>429,614</u>	<u>458,112</u>

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16. Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total March 2006
	£	£	£
Fund balances at 31 March 2006 are represented by:			
Tangible fixed assets	2,402,727	33,710,591	36,113,318
Current assets	766,102	168,196	934,298
Current liabilities	-612,326	0	-612,326
Total net assets	2,556,503	33,878,787	36,435,290

There are no unrealised gains included above.

17. Statement of funds

	Balance at 1 April 2005	Income	Expenditure	Revaluation	Transfers	Balance at 31 March 2006
	£	£	£	£	£	£
Unrestricted funds						
Designated funds:						
Capital projects fund (a)	2,138,064	287,404	-185,252	0	0	2,240,216
Revaluation Reserve	46,759	0	0	115,750	0	162,509
Deferred Project Reserve (b)	0	0	-93,861	0	0	-93,861
General funds	194,646	3,659,260	-3,606,267	0	0	247,639
Total unrestricted funds	2,379,469	3,946,664	-3,885,380	115,750	0	2,556,503
Restricted income funds						
Capital reserve (c)	30,632,171	61,798	-445,422	0	729,514	30,978,061
Revaluation Reserve	1,686,082	0	0	1,046,447	0	2,732,529
Conservation projects (d)	26,132	31,388	-57,520	0	0	0
Arms and Armour projects (e)	25,000	0	-25,000	0	0	0
Education fund (f)	0	178,554	-178,554	0	0	0
Sculpture Catalogue (g)	578	0	0	0	0	578
Archive project (h)	0	52,075	0	0	0	52,075
Curatorial Projects (i)	0	28,559	-28,559	0	0	0
Exhibitions fund (j)	0	20,830	-5,909	0	0	14,921
Gallery and Visitor Projects (k)	0	1,524	-1,524	0	0	0
Gallery Refurbishment (l)	332,751	505,565	-20,210	0	-729,514	88,592
Trustees' Expenses (m)	2,933	15,241	-6,143	0	0	12,031
Total restricted funds	32,705,647	895,534	-768,841	1,046,447	0	33,878,787

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Total funds	35,085,116	4,842,198	-4,654,221	1,162,197	0	36,435,290
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- a) The Capital Projects Fund comprises the Collection's fixed assets received from unrestricted funds.
- b) The Deferred Project reserve reflects the work done so far in preparation for the capital projects that will be completed in 06-07 and 07-08.
- c) The Capital Reserve Fund represents the net book value of the property and other fixed assets received from restricted funds.
- d) The Conservation Projects Fund was set up in 1998 with funding received from a number of sponsors specifically for conservation projects.
- e) The Arms and Armour Projects Fund was set up in 1998 with a grant to make improvements to the display and public understanding of the Arms and Armour collection.
- f) The Education Fund was established to manage additional funding in the form of a donation to assist with the cost of the Collection's educational activities. This was boosted in 2005-06 by a £160,000 donation from DCMS/DfES for strategic commissioning of e-learning and regional partnerships.
- g) The Sculpture Catalogue reserve was set up with a donation to finance the research of a new sculpture catalogue.
- h) The archive fund was set up by a bequest in 2005/06 in order to facilitate the cataloguing and research of the Collection archives.
- i) The curatorial fund was set up in 2005/06 with a donation to allow the purchase of a historic picture frame.
- j) The Exhibition fund was set up in 2005/06 in order to facilitate the Collection's temporary exhibition programme.
- k) The Gallery and Visitor Projects Fund receives donations to fund projects to monitor and improve the visitor experience.
- l) The Gallery Refurbishment Fund was originally established to finance the Centenary Project and then the Billiard Room refurbishment and has now been expanded to fund the next set of gallery refurbishments.
- m) Donations totalling £15,000 were received during the year to enable the Wallace Collection to make various payments for the benefit of the Wallace Collection including the reimbursement of certain Trustee expenses incurred on Collection business.

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18. Cash flow information

a) Reconciliation of changes in resources to net inflow from operating activities

	2005/06	2004/05
	£	£
Net (outgoing)/incoming resources for the year	187,977	-124,552
Depreciation	637,735	587,754
Investment income received	-23,350	-32,134
Loss (profit) on disposal of fixed assets	-7,060	0
(Increase)/decrease in stock	-34,843	-16,249
(Increase)/decrease in debtors	-26,803	41,819
Increase/(decrease) in creditors	51,177	114,882
Net cash inflow from operating activities	<u>784,833</u>	<u>571,520</u>

b) Analysis of cash flows

	2005/06	2004/05
	£	£
Returns on investments and servicing of finance		
Interest received	23,350	32,134
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	1,078,718	389,221

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

	2005/06	2004/05
	£	£
(Decrease)/Increase in cash in the year	<u>-270,536</u>	<u>214,433</u>
Movement in net funds in the year	<u>270,536</u>	<u>-214,433</u>
Net funds at 1 April (note 18(d))	<u>650,664</u>	<u>436,231</u>
Net funds at 31 March (note 18(d))	<u>380,128</u>	<u>650,664</u>

d) Analysis of net funds

	01-Apr 2005	Cash Flow	31-Mar 2006
	£	£	£
Cash at bank and in hand	<u>650,664</u>	<u>-270,536</u>	<u>380,128</u>

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19. Hertford House Marketing Ltd Income and Expenditure Account:

	2005-06	2004-05
	£	£
Turnover	1,117,258	956,817
Cost of Sales	-164,710	-135,910
	-----	-----
Gross profit	952,548	820,907
Administrative Expenses	-433,135	-445,779
	-----	-----
Operating Profit	519,413	375,129
Interest Receivable	4,650	9,614
Contribution to The Wallace Collection	-519,063	-376,743
	-----	-----
Net Profit before Tax	5,000	8,000
Tax	0	0
	-----	-----
Net Profit after Tax	5,000	8,000

Balance sheet

	2006	2005
	£	£
Tangible Fixed Assets	17,436	23,192
Current Assets	513,631	403,314
Current Liabilities	-518,036	-418,475
Net Assets	<u>13,031</u>	<u>8,031</u>
	2006	2005
	£	£
Share Capital	2	2
Reserves	13,029	8029
Net Assets	<u>13,031</u>	<u>8,031</u>

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20. Financial commitments

At 31 March 2006 the Collection had annual commitments under non-cancellable operating leases for equipment as follows:

	2006	2005
	£	£
Between one and two years	992	992
Between two and five years	1,608	3,833
After five years	1,980	0
	<u>4,580</u>	<u>4,825</u>

21. Financial Instruments:

The Wallace Collection has no borrowings and relies primarily on departmental grants for its cash requirements. It is therefore not exposed to liquidity risks. It also has no material cash deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

22. Capital commitments

At 31 March 2006 capital expenditure commitments were as follows:

	2006	2005
	£	£
Authorised by the Trustees and contracted for	<u>1,312,000</u>	<u>750,000</u>

The above total relates to the proposed refurbishments of two galleries, plus the redevelopment of the Sculpture Garden, kitchens and public toilets. The work will be funded by a combination of external donors, Grant-in-Aid and internal income generating activities.

23. Related party transactions

The Wallace Collection is a Non-Departmental Public Body of the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year the Wallace Collection has had no other significant transactions with other entities for which the Department is regarded as the parent Department.

None of the Trustees, members of the key management staff or other related parties have undertaken any material transactions with the Wallace Collection. One Trustee however is also the Chairman of the organisation that provided sponsorship of the Boucher exhibition, and the same Trustee also funded the refurbishment of the Oval Drawing Room.

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24. Performance Indicators

The Wallace Collection entered into a Funding Agreement with the Department for Culture, Media and Sport for the year 2005/06. The financial aims and targets for the year, together with the results, are given in the Annual Report (on pages 22 to 23 above) which also includes non-financial targets and results.

25. Post year end

There were no significant events after the year end.

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Summary Consolidated Income and Expenditure Account for the year ended 31 March 2006

	Total 2005-06 £	Total 2004-05 £
Total income from continuing operations	4,842,200	4,648,358
Total operating expenditure	-4,654,223	-4,772,910
Total (deficit)/surplus for the year	187,977	-124,552
Adjusted for capital items:		
Grant in respect of capital expenditure	-1,078,717	-389,220
Charges in respect of capital expenditure	630,675	587,754
Operating (deficit)/surplus on revenue income and expenditure, before designations and transfers.	-260,065	73,982

The statement of financial activities (SOFA) recognises all income, i.e. both capital and revenue. Conventional income and expenditure accounts, however, do not recognise capital income, which is instead recognised as deferred capital grant reserves. An amount equal to the depreciation charge and losses on disposals are subsequently transferred from the latter reserve to the income and expenditure account over the useful life of the asset. The SOFA surplus of £187,977 has therefore been adjusted to reflect the operating deficit for the year of £260,065 had an income and expenditure account been prepared. This amount reflects the use of donations from previous years, held in restricted reserves, for the gallery refurbishments carried out in the year of account.

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