

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to the Museums and Galleries Act 1992, c.44 section 9 (8)

The Wallace Collection Annual Report and Accounts 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 23rd JULY 2007

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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 33). 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.

In addition to the main Collection, the Trustees hold the Hertford House Historic Collection, a small collection of material relating to the history and study of the main collections, as well as a handling collection of objects used for teaching and demonstration.

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 fluctuated over time between seven and eleven. At year-end the total was eight, with three new appointments pending. 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, conservation, education and occasionally other departments. The Wallace Collection also has a long tradition of using highly knowledgeable guide lecturers to take group tours of the collection. We would not be able to function as effectively or inform the public so well without the support of these selfless individuals.

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.

During the year we appointed Dr Tobias Capwell as Curator of Arms and Armour, the first full-time curator of this part of the Collection to be appointed for nearly three decades. Further recognition of the international importance of this part of our collections came with the appointment of the distinguished scholar of Asian arms and armour, Dr Robert Elgood, as our Honorary Curator of Oriental Arms and Armour.

Jo Hedley, Curator of Pictures pre-1800, resigned. She will be replaced by Dr Christoph Vogtherr, currently Curator of French and Italian Paintings at the Prussian Castles and Gardens Authority, Potsdam.

Galleries

This year once again saw a great deal of activity around the galleries, principally in connection with the four newly refurbished rooms. The Oval Drawing Room and the Study were largely re-installed during May, preparatory to the formal opening on 14 June. The Study is a showcase for the works of art in the Collection once owned by Marie-Antoinette as well as for the later Sèvres porcelain, and paintings by Fragonard, Greuze and Vigée Lebrun. The Oval Drawing Room on the other hand provides a

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spectacular setting for our smaller paintings by Boucher, including the portrait of Madame de Pompadour. The other important works of art moved into the Oval Drawing Room are Fragonard's *Swing* and the Avignon Clock.

Apart from some minor finishing touches the Large Drawing Room was complete by 24 January, when the Room was formally re-opened on the evening of the *Xanto* exhibition launch. The Large Drawing Room now shows some of the greatest of the Boulle furniture in the Collection, complemented by Dutch and Flemish paintings, French bronzes and Sèvres porcelain.

The Small Drawing Room is now the setting for what we believe to be the finest array of *Fête galante* paintings in one space anywhere in the world. The completion of this room was unfortunately delayed when the silk failed its crucial fire test and the subsequent fireproofing altered the appearance of the silk to an unacceptable degree. These issues were however successfully resolved and as at year-end only the final lighting adjustments plus the curtains were still outstanding.

Attention now turns to the plans for the next suite of galleries that we intend to refurbish. The Director has drawn up a paper setting out her vision for the next phase of the refurbishment of the First Floor Rooms and Galleries, which will see all the remaining galleries on the First Floor, with the exception of the East Galleries (Dutch painting) restored between 2008-2014.

The full overhaul/replacement of the Collection's MEACO environmental monitoring system ordered and begun in September was finally concluded, with all the new MEACO transmitters now in place around the galleries, Library and Reserve Gallery.

We have been working with the designer Charles Marsden-Smedley on small improvements to lighting of the collections, especially in the 16th-century Room and the Smoking Room, and on the Landing. The project mainly involves the improvement of in-case lighting, improvement of light from chandeliers and replacement of some existing picture lights or equipping of other pictures with lights to compensate for loss of light from chandeliers. This project is being undertaken on a medium-term piecemeal basis to reflect limited funding, but we hope shortly to be able to place orders for a first phase, which will mainly affect the Sixteenth-Century Room and the Landing.

The galleries also played host to several fascinating smaller displays and exhibitions in this year. East Galleries III hosted Velázquez - *The Lady with a Fan Revealed?* This display examined new evidence that Velázquez's hitherto anonymous *Lady with a Fan* is the Duchesse de Chevreuse (1600-79), a French woman who, after incurring the wrath of Richelieu, fled France to Spain disguised as a man. This was followed by *Rembrandt Regained*, which was an exciting look at the changing critical fortunes of some of the 'Rembrandts' in the Collection. Re-attributed to other artists two decades ago by the Rembrandt Research Project, a number of paintings have recently been re-assessed and restored to Rembrandt himself.

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Meanwhile the Billiard Room played host to A Peep Inside Boulle Furniture which offered the rare opportunity to look inside various works for this years ever popular Open Furniture display. It focussed on pieces attributed to Master craftsman André-Charles Boulle (1642-1732), his contemporaries and followers, from a floral Marquetry cabinet on a stand containing mirrors, to a wardrobe hiding the pendulum of a clock.

Exhibitions

The full list of Temporary Exhibitions shown during 2006-07 is at Annex C (on page 37).

Our exhibitions *Great British Watercolours* and *The Founders of the Wallace Collection* opened on 2 March 2006 and ran until 14 May. 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.

From Jean Arp To Louise Bourgeois: Modern Artists At Sèvres ran from June to September 2006 and contained more than forty stunning objects in porcelain designed by artists such as Jean Arp, Louise Bourgeois, Alexander Calder, Jim Dine, Ettore Sottsass and Pierre Soulages, all lent by the Sèvres porcelain factory. The exhibition acted as a superb complement to the Wallace Collection's outstanding collection of eighteenth-century Sèvres porcelain.

Pomp and Power: French Drawings from Versailles ran from October 2006 until January 2007 and saw this exclusive display of 52 French drawings from the late 17th to early 19th centuries, lent by the Château de Versailles. The exhibition included exquisite drawings by major artists such as David, Delaroche, Moreau, Cochin and Van der Meulen.

Xanto: Pottery-painter, Poet, Man of the Italian Renaissance ran from January to April 2007 and was the first exhibition ever devoted to the maiolica painter Francesco Xanto Avelli (c.1486-c.1542) who worked mainly in Urbino. Curated by the leading authority on Xanto's work, John Mallet, it contained more than fifty beautiful ceramics from British and Italian collections.

These exhibitions held in the main Exhibition Gallery were supplemented by a series of smaller displays around Hertford House. These included *A Contemporary Masterpiece: The Linley 'Dogana da Mar'*, *Desk A Pair of French Earthenware Salts*, *Marc Quinn's Orchid*, *Velázquez - The Lady with a Fan Revealed?*, *A Peep Inside Boulle Furniture* and *Rembrandt Regained*.

The Conservation gallery also rotated a number of interesting displays, starting with the Conservation of the Robes of a Chinese Mandarin. This was followed by A

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Contemporary Masterpiece: The Linley 'Dogana da Mar' Desk, inspired by one of Venice's best known landmarks, and created by Viscount Linley. There was also a display on maiolica-painting and production to coincide with the Xanto exhibition.

Publications

After the successful completion of the new Scala book on the Wallace Collection in 2005/06, 2006/07 was a quieter year on the publications front. The main publication this year has been the superb catalogue *Xanto: Pottery-painter, Poet, Man of the Italian Renaissance*, for the Xanto exhibition, published for us by Paul Holberton Publishing Ltd. Largely written by John Mallet, this publication also included contributions from several members of Wallace Collection staff.

Most importantly initial work has begun on our next academic catalogue, based around the sculpture and works of art within the Wallace Collection. This catalogue will be curated by our Head of Collections, Jeremy Warren. Suzanne Higgott will, as part of the project, prepare the first ever catalogue of our Renaissance Limoges enamels and glass.

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

History of Collecting and Other Academic Seminars

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.

Four further seminars in the History of Collecting series were held in year. On 26 April Jeremy Warren spoke on the taste for collecting the sculpture of Giambologna in Britain over the past 400 years. On 5 June we were fortunate to be able to welcome the distinguished Italian scholar Professor Irene Favaretto, who gave a paper entitled 'From private collection to public museum. The Grimani Collection of Antiquities and the development of the Statuario Pubblico, the Venetian Republic's Collection of Statuary.' The Director gave on 13 September a well-received seminar on Lord Lonsdale's collecting of Sèvres porcelain for Carlton House Terrace and the final seminar in the 2006 season, a paper by Dr Dora Thornton of the British Museum on the Renaissance collector Sabba da Castiglione, was held on 29 November. One further seminar, on 'Ferdinand Marescalchi: an Italian Collector in Napoleon's Paris', given by Monica Preti-Hamard of the Musée du Louvre, was held on Monday 12 February.

Eleanor Tollfree set up a new series of seminars on Furniture History which began on 12 October with Dr Carolyn Sargentson of the V&A talking on the recycling of *Ancien Régime* furniture in nineteenth-century markets. Further seminars in this series occurred on 26 October (Dr J.N.Ronfort on 'André-Charles Boulle (1642-1732): a new chronology and the latest discoveries'), 9 November (Camille Mestdagh, Sorbonne, on reproducing French royal furniture in late nineteenth-century France), 23 November (Dr Ulrich Leben, Waddesdon Manor, on an armchair and screen commissioned by the comte

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d'Artois for the *grand salon* at Bagatelle) and 7 December (Sylvain Cordier, Sorbonne, on reinterpreting the Louis XVI style in early nineteenth-century France).

Acquisitions and Loans

Although the Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to or disposing from its permanent collection, objects and archival material relevant to the collection and its history are acquired from time to time and are regarded for accession purposes as forming part of the Hertford House Historic Collection.

We were fortunate to be able to borrow for the recent Marie-Antoinette display a rare poster from 1793, advertising the sale by the Revolutionary authorities of the contents of Marie-Antoinette's pleasure house, the Petit Trianon. The owners, Mr and Mrs Thomas Heneage, have now very generously put the poster on long-term loan to the Collection. It has been placed in the Gold Box Corridor at the entrance to the Study, complementing and commenting on the works of art in that room from Marie-Antoinette's houses, including the Petit Trianon.

A private collector generously lent for six months an important pair of French Renaissance ceramic salts, probably made at Fontainebleau in the late 16th or early 17th centuries, and featuring stylized portrait busts of the future King Louis XIII as dauphin. The salts were displayed on the Lower Ground Floor.

We were also very fortunate to be able to display for two months in the Entrance Hall an outstanding watercolour by the architect Decimus Burton showing the Tent Room in St Dunstan's Villa, the villa built by Burton for the 3rd Marquess of Hertford in Regent's Park. The entire album of ten drawings and plans for St Dunstan's was kindly lent to us by its owner, the Architectural Association, so that we could make a photographic record of it. The watercolour of the Tent Room, the main space for entertainment within the Villa, not only gives a wonderful impression of the atmosphere of this Regency pleasure palace, but also shows three paintings by Canaletto (P499 and P497) and Hoppner (P563) which remain in the Collection.

Our Chairman also loaned the Collection two exciting works from his own private collection. Firstly there was the print, *Graduation de la Tête de Grenouille jusqu'au Profil d'Apollon* by Christian von Mechel (1737-1817), after Johann Caspar Lavater (1741-1801), which was displayed in the table case in the Entrance Hall. Secondly we were fortunate to be lent another recent acquisition for his collection, a prayer book for use in the Chapel in Versailles inscribed with the name of Marie-Antoinette.

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.

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The second of our annual meetings with the other four members of the Museum Network took 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 made in developing the educational opportunities provided by the partnership. These are detailed on pages 18 to 21. The meeting, which included a presentation by Emmajane Avery and Beth Kingston on the development of the Network's e-learning programmes, was generally very successful, with the presence of new Directors at two of the Network members (Kathleen Soriano at Compton Verney and Alexander Sturgis at the Holburne) bringing a new sense of enthusiasm to the enterprise.

One energising event that symbolises the collaborative working of the partnership was Architecture Week, which saw GCSE photography projects take place at all five Partner Museums run by professional photographers. The brief was to respond to the architecture which is particularly exciting given that photography is a new venture for us and the building an unusual source of inspiration. Waddesdon Manor has enjoyed a second schools' project, this time with a local secondary school. Twenty year 9 & 10 textiles students had an insight into this part of the collection with a textiles conservator and a tour of the fan exhibition. This long-term project ended at Christmas and resulted in the creation of accessories inspired by the works of art the children had seen.

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 was expanded in late 2005-06 with the recruitment of three Documentation Assistants on one-year contracts. The Documentation Team commenced data entry of Pictures and Miniatures records in March 2006. The Documentation Team has now completed the inputting of records for all Wallace Collection works of art with the exception of part records for European Armours (part numbers will be assigned to these objects as each one is disassembled for Photography next financial year).

The MuseumPlus Exhibition module has now been implemented and preliminary discussion has taken place concerning implementation of the Conservation module.

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Work has commenced on the specification and procurement of two further MuseumPlus modules: eMuseumPlus, the web publishing tool, which will enable us to make our collections database searchable via the Internet from October 2007, and the Image Archive module for managing our growing digital image collections and our photographic sales service.

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

Conservation

The work of the Conservation Department during this year was dominated by the re-furnishing and re-display of works of art in the newly refurbished Oval Drawing Room, Study, Large Drawing Room and Small Drawing Room, plus the major exhibitions and the smaller gallery displays.

One of the other main areas of work in this year continues to be cleaning and photographing swords, crossbows and firearms towards the Armoury Photography/Cataloguing Project.

Internal conservation work concentrated on furniture. Work has now finished on the second of the pair of nineteenth-century Boulle coffers on stands (F47-48), resulting in a stunning transformation of their appearance. The coffers on stands have now been redisplayed in the Great Gallery. Additionally, a concerted effort has been made this quarter to explore the archives for fragments of furniture and frames detached over the past 100 years. Many of these fragments have now been re-united with the furniture/frames to which they originally belonged, in some case for the first time for many decades.

As well as welcoming many visitors to the department interested in the conservation of the Collection, a number of research trips were undertaken this year. Between 7 - 22 May our volunteer metallurgist Dr. Alan Williams undertook a research trip to Scandinavia, visiting a number of major museum collections to gather material for a research project on the construction of medieval swords. Twenty-two metallographic specimens were brought back for analysis in the Conservation Department. This was followed by a two-week research and conference trip to India organised by Dr. Robert Elgood (honorary Curator of Oriental Arms and Armour), accompanied by David Edge (Head of Conservation), Dr. Alan Williams (honorary Scientific Officer) and Dr. Tobias Capwell (Curator of Arms and Armour). Commencing with the arms and armour collection of the National Museum in Delhi, (where the group was extremely privileged to be allowed entry to the extensive reserve collection), visits were made to major armoury collections throughout Rajasthan in north-west India, particularly those at Bharatpur, Alwar, Jaipur (the City Palace), Tiger Fort at Amber (which included an historic cannon-casting workshop), Bikaner, Udaipur, and Mehrangarh Fort at Jodhpur. Additionally, the group visited traditional workshops to see for themselves the ancient art of damascening with gold and silver, and the hand-forging of sword and dagger blades. An opportunity was taken to acquire examples of modern-made traditionally-decorated armour for the

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Education Department's 'handling' collection. The expedition culminated in a two-day conference on the study, care and conservation of Indian arms and armour, hosted by the Mehrangarh Museum Trust at Mehrangarh Fort, Jodhpur, but largely organised by Dr. Elgood. He, David Edge, and Dr. Williams all delivered papers, which were warmly received by the audience. David Edge's talk on conservation was particularly commended by His Royal Highness the Maharaja of Jodhpur, who attended the conference. The lectures were followed by a demonstration of traditional sword-cleaning and polishing techniques, which had many parallels with similar techniques depicted in late-medieval European woodcuts. The proceedings concluded with a demonstration of the Wallace Collection Conservation Department's electronic hardness-tester, a useful piece of equipment for on-the-spot differentiation between iron and steel and different heat-treatments of the same. This caused much excitement amongst curators and the Jodhpur sword-collecting community, many of whom submitted swords for testing. Discussions are presently under way towards the establishment of a conservation centre at Mehrangarh Fort, and the training of Indian conservators, some of whom may perhaps carry out student internships at the Wallace Collection and other such U.K. institutions.

Many works of art still require external expertise and facilities for their conservation. In July the bronze fountain from the Sculpture Garden (SA 10) was removed for conservation by Rupert Harris. It is envisaged that it will on its return be re-erected at the front of the Museum.

Another major picture conservation project was completed with the return of the *Family Group* by Bartolomeus van der Helst (P110). Conservation by Anna Sanden has revealed the stunning quality of this great portrait, with the full colourfulness of the expensive clothing of the sitters Jochem van Aras (d.1662), his wife Elizabeth Claes Loenen (c.1616-73) and their daughter Maria van Aras (c.1644-84) revealed. It has now been hung in the Great Gallery.

Anna Sanden then moved on to two paintings by François Lemoyne, the *Time saving Truth from Falsehood and Envy* (P392) and the *Perseus and Andromeda* (P417). Both pictures have, like the van der Helst, long been significantly obscured by discoloured varnish. The *Time saving Truth from Falsehood and Envy* was enlarged c.1757, probably by Lemoyne's pupil François Boucher, which meant that we needed to consider carefully whether there would be a risk of too sharp a disjuncture between old and new following cleaning. After cleaning tests and advice on the proposal from our Conservation Advisory Committee paintings specialists Martin Wyld (National Gallery) and Mark Leonard (J. Paul Getty Museum), it was agreed that conservation could proceed.

The Greuze *Girl in a Blue Dress* (P425) was returned from Ebury Street after remedial work on the panel by Simon Bobak.

It is also vital that regular surveys are carried out on the Collection to ensure that issues are identified and resolved before they become critical. To that end Meryl Huxtable, V&A paper conservator, carried out a full conservation survey of the Wallace Collection's illuminated manuscript cuttings collection.

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Between 12-16 December a team of conservation scientists from the M.O.L.A.B. project, led by Professor Brunetti of the University of Perugia, visited the Wallace Collection to carry out non-destructive analysis on maiolica pottery glazes and pigments.

Juanita Navarro has been carrying out condition-assessments of Limoges enamels in the Conservation Department with Suzanne Higgott, in particular gathering information towards cataloguing them properly for the first time.

One major issue affecting internal conservation work has been the environmental conditions within the conservation workshops. Those on the third floor suffer during times of extremes in external conditions. The current equipment to counter this no longer adequately does so. A detailed survey of the problem was carried out in year with a view to attempting to rectify it in the coming year.

Library and Archives

The ongoing exercise to retrospectively catalogue the contents of the library and archives continued this year with almost 1700 books being catalogued. Retrospective cataloguing saw completion of the Enamels and Painting Monographs (our largest subject area) sections. Progress has also been made in cataloguing the Herbert Bier archive.

The room refurbishments provided the opportunity to catalogue the books from the Londonderry Cabinet, most of which are rare, including Diderot & d'Alembert's *Encyclopédie*. Many books contained different works bound together, which resulted in 134 bibliographic records. It was also a good opportunity to send off any damaged books to be repaired and rebound.

It is a matter of great satisfaction to us that we have been receiving feedback to the effect that the Wallace Collection Library is frequently the only library where researchers can find the specialized books they need. This encourages us to keep up with our acquisitions, especially of specialist materials in foreign languages, in particular in our core areas of French 18th-century art, arms and armour and history of collecting. Many other libraries are increasingly reducing their purchase budgets where we have been able to maintain and indeed occasionally increase ours.

Among rarer material, major acquisitions during the year included:

- Roger de Piles, *Premiers éléments de la peinture pratique*, with 20 plates by Jean-Baptiste Corneille, Paris 1684
- Roger de Piles, *Abregé de la vie des peintres*, 2nd edition, Paris 1715
- Mazière de Monville, *La vie de Pierre Mignard*, Paris 1730
- Robert Dossie, *The handmaid to the arts*, London 1758.
- Philippe Macquer, *Dictionnaire portatif des arts et metiers*, 2 vols., Paris 1766
- Marc Antoine Laugier, *Manière de bien juger des ouvrages de peinture*, Paris 1771

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- *Almanach parisien en faveur des étrangers et des voyageurs*, Paris 1788 with seven leaves of woodcuts.
- Early 18th century French manuscript of colour and varnishing recipes: [*sur l'art de fabriquer les peintures, les vernis, les encres, les colles ou encore le ciment..*]
- 19th century trade catalogue of Boulle reproduction furniture designs, *Le magasin des meubles no. 10*, published by Victor Quetin in the Rue du Faubourg St. Antoine, Paris.
- Count Grigori Stroganoff, *Pièces de choix de la collection du Comte Grégoire Stroganoff à Rome*, by Ludwig Pollak and Antonio Muñoz, Rome 1911-1912. Acquired with a special donation from Mr Rainer Zietz.

Peter Finer gave us an 1824 first edition of Sir Samuel Rush Meyrick's *Critical Enquiry into Ancient Armour*, one of the most important pioneering publications in the revival of interest in the study of arms and armour in the early 19th century. We previously only owned the 1842 second edition, so this is a major addition to our Meyrick archive.

Robert Gemmett has presented the Library with a series of offprints on Beckford. Most of them are being sent to be bound into a small volume, but they have been catalogued on Millennium, a significant addition to our research material on this subject. We were also given a significant number of back issues of the periodical *Faenza* by Rainer Zietz.

Picture Library

The Picture Library had another solid year. Income was down slightly on the record high of the previous year. In the main this was caused by the fact that our Picture Librarian 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), and through providing maternity cover for the Collections Management Project Manager.

Postgraduate and Diploma Courses

This financial year saw the end of the second academic year of our joint MA course in Decorative Arts and Historic Interiors with Birkbeck University, and the start of the third academic year. Numbers increased between the years from six to twelve, but sadly Birkbeck College has decided not to continue to offer this course, so it will not run after summer 2007.

The joint MA with the Courtauld on 18th-century French decorative arts ran this year, but with only three students. It is expected to next run in Autumn 2008.

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

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The Visitor

The first full visitor survey for two years was carried out towards year end. After a competitive tendering exercise Morris Hargreaves McIntyre were appointed to carry out the work.

The results of the survey reaffirmed our understanding that once we manage to get people through our doors then they are enchanted and likely to return. The report concludes that *'current visitors gain huge spiritual and emotional outcomes as a result of a visit, and are overwhelmingly enthused by the Collection and its home'*.

The visit experience is clearly an enjoyable one, with 74% of visitors spending over an hour in the Collection, and 29% over two hours. Only 1% of visitors were dissatisfied with their interaction with our staff whereas 83% were either satisfied or very satisfied. Repeat visits are still high with 42% of visits being from those who have been before. 77% of visitors said they were very likely to return, with a further 19% saying they were quite likely to come back. Even more importantly for growing our visitor base 87% said they were very likely to recommend us to a friend with a further 12% quite likely to do so.

The awareness of non-visitors of the collection however demonstrated that we are still struggling to connect with our potential audience. The reach of the Collection internationally however appears to be growing, with 37% of visitors coming from overseas and only 32% from the London area.

Feedback on our educational programmes continues to be excellent, being well-received by adults and children alike.

Visitor Numbers

Overall visitor numbers increased from 219,000 to 277,000. It was expected that numbers would rebound to a certain extent after the fall in the previous year largely attributed to the July 7th bombings, however the level of increase in the overall figures exceeded all expectations.

There is no single reason for this increase in numbers. There were no blockbusting exhibitions or events in year that would by themselves draw in the crowds. There were however a number of activities that combined to produce this effect. These included:

- The reopening of the four newly refurbished galleries;
- A well received exhibitions programme;
- Increased and more targeted marketing;
- The re-opening of our restaurant as the Wallace Restaurant in the newly refurbished Courtyard;
- The continued growth of our education programme; and
- The re-launch of our new website.

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Education

The Education Department continues to go from strength to strength. The on-site facilities have largely reached 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 once again totalled £160,000 in this year. We have also now learnt that this vital support will continue for at least one more year, hopefully allowing these projects to continue in at least the short term.

Exhibitions

The Education Department always strives to tie interesting and innovative educational activities in with our exhibition programme. The first was a Study Day on 'Celebrating 250 years of Sèvres Porcelain' linking with the *Contemporary Sevres* exhibition. This day offered a history of the Sèvres factory with speakers both from London and from the Factory itself.

To tie in with the *Rembrandt Regained* gallery display, the Rembrandt Study Day in February was sold out and also brought visitors to our display on the reattribution of Wallace Collection Rembrandts. Visitors were particularly privileged to hear Professor Ernst Van der Wetering speak about the work of the Rembrandt Research Project. A Study Day entitled 'The Triumph of Eros: Art and Seduction in Eighteenth-Century France' was organised jointly with Somerset House and included free entry to the exhibition *The Triumph of Eros* at the Hermitage Rooms. A study day *Popinjays to Pre-Raphaelites* on the Victorian passion for the art of the Middle Ages was held on 28 March and attracted c.40 participants.

Schools' Programme

Schools' Projects continued to develop both here and at our Partner Museums. The best of these included the start of this year's 'In Tune with the Tudors' programme in partnership with Wigmore Hall. Primary school pupils from Brent and Westminster took part in visits to The Wallace Collection, a concert at Wigmore Hall, music, dance and art & design outreach at school and a finale performance of their new skills was held at the Wallace in July.

The Spring Term saw the launch of three pilot programmes for key stage three students (age 11-14) and one music and art project with Wigmore Hall Education, also for key stage three students. Emma Bryant and Beth Kingston have been developing these programmes which combine gallery visits with outreach sessions to schools. The first of these programmes grew out of the architectural photography workshops that took place during Architecture Week, as described above. Using digital cameras students documented the architecture of the Wallace Collection and their school. Photographs were then displayed on a specially commissioned website www.shootingbuildings.com. The other key stage three projects involve studying landscape paintings and learning screen printing techniques, and drawing from Islamic patterns in the Oriental Armoury.

Also taking place at the Wallace as part of the Regional Partnership Schools' Programme was a six-week long Design & Technology after-school club at Quintin Kynaston School.

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Following a visit to the Wallace where they examined marquetry and had a demonstration of its construction, the Year 8 & 9 pupils have been making their own wood marquetry creations at school.

Over the summer we have spent a great deal of time on finishing off three new eLearning resources and a new website, www.museumnetworkuk.org from which they can be accessed. The resources offer interactive explorations of portraits (KS 1&2), Greek and roman myths (KS 1&2) and landscapes (KS3&4) for pupils and teachers and include works of art from all five of our Museum Network partners. Last year's portraits e-resource was also updated to include works of art from Compton Verney and Waddesdon Manor, so that all five museums in the Museum Network partnership are represented. Emmajane Avery and Beth Kingston also hosted an eLearning group conference for education staff from various museums across the UK in October.

An excellent example of our new emphasis on outreach work is our work with the Tuke School, a school for children with severe learning difficulties. The school was visited three times in year to deliver an outreach project on the planets. The Primary Schools programme has also been busy with outreach projects to schools in Brent and Ealing, 'Vive la France' French sessions where pupils meet a costumed actress playing Madame de Pompadour, and special colour and sculpture workshops.

Museum Network Partnership projects continued with Beth Kingston spending time at Waddesdon Manor supporting 500 children in literacy learning through the 'Sleeping Beauty' workshops. The Bowes Museum, Holburne Museum of Art and Compton Verney have also all delivered Network projects as part of National Science Week (9-18 March).

Public Programme

The jewel in the public programme crown is always the Day in the Eighteenth Century. This year was no exception with the annual event attracting 1800 visitors taking part in a range of activities including gallery talks and tours, dancing in the Great Gallery, duelling in the driveway, gambling on the landing, fabric handling in the Study, Madame de Pompadour and Marie-Antoinette in the galleries, and mask making in the Studio. The success of this annual event is shown by many visitors returning year after year.

A great highlight of the public programme this season was a Regency Study Morning on 'Princes and Patrons' run in conjunction with the Royal Collection. Stephen Duffy was joined by Sir Hugh Roberts (Director of the Royal Collection) and Kenneth Baker for three excellent lectures. Itineraries were provided for participants to guide themselves around the Wallace Collection and The Queen's Gallery examining works of art relating to the 3rd Marquess and the Prince Regent. Other new activities include regular 'Insights into Conservation' lectures given by conservation staff in the lecture theatre with the great advantage of close-up images of conservation in progress and 'before and after' shots. Larger public events included 'Of Lions and Warriors', celebrating Sikh culture in the collection and comprising lectures and family activities, as well as 'West End Live', a weekend extravaganza in Leicester Square in June. The Education Department set up a

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stall to advertise the Wallace Collection where members of the public could try on armour and take part in activities with a royal theme to celebrate the Queen's 80th birthday.

The Drop In day event entitled 'Knights and Castles' (16 September), harked back to the days of chivalry. This was a lively affair with demonstrations of swordsmanship on the Front Lawn as well as object handling and craft activities, all attracting approximately 300 people, half of whom were children. Other public events included our now regular lecture series on 'Insights into Conservation'; this period subjects covered were techniques of gilding as well as conserving arms and armour.

Other highlights within the Public Programme included encounters in the galleries with Marie Antoinette and Madame de Pompadour, a marquetry demonstration by Jürgen Huber and 'Arabian Nights'; an exploration of Orientalism, family art activities and storytelling to tie in with the Festival of Muslim Cultures.

As part of our continuing partnership with Wigmore Hall we held a *Soundscapes and Landscapes* family day on 18 November that integrated music and art; music influenced artwork and artwork influenced music. An artist and musician ran the day and children brought their own instruments or played percussion instruments. The day was fully booked and ended with a performance on the stage at Wigmore Hall.

The family programme saw new free drop-in activities being run on the first day of each half term or school holiday. These are designed to offer another way in for families who want a less formal style of activity. The activities in both holidays this period have been very well attended, in contrast to previous holidays. We have also produced a new family trail called 'Looking for the Owners', complete with scratch and sniffs of roses and dragon's breath! Children had to look for the owners of the collection before finding themselves in the Boule mirror.

The education department organised a Study Day entitled '*Everything Smiles Without as Within: The Palace of Versailles in the Eighteenth Century*' and a conference on museums and social inclusion. The Study Day was sold out and participants enjoyed a lively and varied programme on life at the Palace under the Ancien Régime. The social inclusion conference was planned and delivered in association with the Museums Association and gave us the opportunity to showcase some of our Community Programmes and pose questions about how we can best cater for these audiences

Community and New Audiences

The community programme continues to develop innovative programmes for diverse audiences. A great event this year was 'Deaf Visions', our fifth art history and practical art day for deaf people led by deaf artists and art historians. A new team delivered this day and was very well received which bodes well for the remaining three events that they are contracted to deliver for us. 39 adults and 25 children took part in a day which has gone from strength to strength since being set up just over a year ago and which remains as original and innovative as ever.

The summer saw the Wallace Collection participating in Camden's Summer Festival of

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Learning by running playschemes for children from the borough; we also delivered three outreach sessions to Westminster Libraries as part of their Summer Reading Mission activities for children. The children wrote alternative versions of the Perseus and Andromeda myth, inspired by Titian's painting, as well as ghost stories inspired by Delaroche's painting of *Edward V and the Duke of York in the Tower*. August was a very busy month for 'Out of the Frame', during which time we visited 10 residential care homes and day centres with reproductions of Horace Vernet's *Arab Tale Teller* and Maes' *Listening Housewife*. A new project with a St Mungo's homeless hostel has also begun. Over the course of six afternoon workshops a textile wall hanging, inspired by still life paintings in the Collection, will be created by residents to hang in the hostel's new activities centre.

A further exciting new project saw our staff working with Theatre Royal Stratford East and Newham Sensory Team. This project saw sighted and visually impaired young people from schools in Newham working on a drama project where they will have the opportunity to learn about character development, write scripts, attend drama workshops and which will culminate in them performing in the Theatre's 2007 pantomime. The first of these workshops took place at the Wallace Collection in November and the young people tried on Tudor armour, listened to the script for Robert Dudley, one of our costumed interpreters, and tried on his costume.

The Community Programme continues to bring new audiences into the Museum. Plans are developing for a training programme to be piloted at the Wallace Collection with input from the MLA and the National Social Inclusion Programme. This initiative follows on from the conference on social inclusion that we delivered in association with the Museums Association last November. In January Anne Cooper Beresford and a team of freelancers delivered the first in a series of events to encourage visually impaired people to engage with the Collection. The participants enjoyed an orientation tour, picture and object description and a practical art workshop making relief plates.

Marketing, Press and Public Relations

Over the last 2 years there has been a more positive investment in press and marketing and it is believed that the increased visitor numbers are in part, a result of our increased and more targeted leaflets, regular press entries, advertising through various media including the National Trust, Visit Britain and London and the Tube.

Our new website, designed by Consultants in Design, was launched on 4 September. It is hoped that this brighter, easier to navigate, more animated website will attract more visitors, and give researchers clearer information. Once Wallace Live is completed, the detailed information on the objects will be uploaded from Wallace Live to the website, providing greatly improved virtual access to the collection.

A number of successful public events were held in year. These included:

- 1 December *A Festive Fayre*
- 6 February *A Lecture on the Use of Colour* and a preview of the new rooms with Farrow and Ball supported by the *Evening Standard*

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These events help attract new visitors and broaden our audience. The range of events will be increased in the coming year.

We also seem to have consolidated our position on the reviewer's circuit, with excellent press coverage for all our exhibitions. The coverage for Xanto provided a surprisingly high volume of high-profile articles in a range of national, consumer and local publications.

Facilities

The Facilities Department has had a large proportion of their time this year taken up with the Gallery and Courtyard refurbishment projects. The management of the project and its contractors has been onerous, but the stunning results have shown it to be worthwhile.

A great deal of time has also been taken up planning the major capital works to take place in 2007-08. These include the external walls project, renovating the three walls untouched by the 2003 Façade project, plus the project to replace the ceilings in two of the Armouries. It is also hoped that funds will allow for work on the offices on the second floor that have been untouched for decades. This year saw a tendering process to find a partner construction company to carry out the works. After a lengthy and thorough process Coniston Construction Ltd were appointed.

A further exercise was carried out in year to assess the environmental conditions on the third floor. This area houses the conservation workshops and therefore the environmental conditions are essential to the preservation of the works of art being worked on there. Essential improvements will hopefully be made in the coming year.

IT has been a major issue in 2006-07. The current infrastructure began to struggle with the increased demands of a growing organisation. This has led to the decision to replace the servers which will improve the situation.

Security

The Security team this year continued to concentrate on improving practice and procedure. Improvements also continued to be made to technological security, primarily to take advantage of the opportunities afforded by the capital programme.

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 continue to reduce the number of gallery closures seen in previous years.

Fundraising and Facilities Hire

Fundraising

Fundraising met its revenue targets this year.

Capital fundraising managed to obtain donations totalling £56,000 towards the cost of the Wallace Live project. £250,000 was also raised towards the costs of the Courtyard refurbishment from the Monument Trust. The Wolfson/DCMS Fund also gave £150,000

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towards the refurbishment of the Large Drawing Room. Funds are now being sought for the next phase of the Gallery refurbishment project.

Corporate Facilities Hire

The corporate events income target was comfortably achieved again this year. The increased income seen in 2005-06 as a result of increased investment was surpassed again in 2006-07 with the net profit remitted to the Collection increasing by nearly forty thousand pounds.

The offer was improved this year by the renovation of the courtyard, where the majority of evening events are held. Improvements included a new PA system, using a system designed to focus speech and minimise distortion in large spaces. This was backed up by new sound absorbing panels to produce a space that is now perfect for both speech making and casual conversation.

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. There has been a complete change in staff in the year. Against this background it was therefore not surprising that the retail department had a disappointing year financially, making a small profit of £25,000 (2005-06 £71,000).

It is anticipated that the financial return will improve in the coming year. To help the situation a new merchandising plan has been agreed.

The Wallace Restaurant

The original contract with Eliance to run the Café Bagatelle expired in July 2006. By the start of this year therefore a tendering exercise had been completed to establish who would take the restaurant forward after that date. Eight strong tenders were received, with Peyton & Byrne (Oliver Peyton) eventually being awarded the contract. The restaurant therefore closed in July for refurbishment; with the new look space opening in September 2006.

Although the restaurant has a striking new look, it maintains the original vision of an elegant, airy, courtyard feel destination restaurant with a French character. Reviews of the new Wallace Restaurant have been good, and this has been reflected in increased numbers of patrons.

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Peyton & Byrne pays the Wallace Collection a percentage of turnover, with a guaranteed minimum. The new contract, along with the increased numbers of patrons, led to a major increase in income from this source in 2006-07. This should increase again in 2007-08 with the first full year of the new contract.

2001-02	£42,286
2002-03	£40,617
2003-04	£38,061
2004-05	£45,792
2005-06	£41,134
2006-07	£98,886

Human Resources

As with every year, the Personnel Manager has 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. The Staff Handbook has been updated in consultation with Northgate HR to ensure that best practice is maintained. Changes brought in this year include a new suite of family-friendly policies, including improved maternity, paternity and leave policies.

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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. 2006-07 was the second year of a three-year agreement. The Funding Agreement sets targets for seven core quantitative performance measures and the Collection also reports on several qualitative performance measures that contribute to DCMS' strategic priorities.

For the first time in several years the Collection achieved all of the targets set. The targets are divided into four areas, visitor numbers, virtual visitor numbers, trading profit and efficiency savings.

The specific quantitative targets are:

Core Target	2005-06		2006-07		2007-08
	Target	Actual	Target	Actual	Target
1. Total number of visits to the Museum	250,000	219,214	255,000	277,648	260,000
2. Number of UK adults aged 16 and over (from 2005-06) from lower socio – economic groups attending the Museum	14,000	8,769	14,500	15,281	15,000
3. Number of child visits (15 and under from 2005-06)	16,500	15,666	17,000	23,134	17,500
4. Number of children aged 15 and under (from 2005-06) in on and off site organised educational sessions.	12,000	11,127	12,500	14,186	13,000

After the disappointment of 2004-05, when visitor numbers fell in the wake of the July 7th bombings, meeting all the targets for this year was highly satisfying. The number of overall visitors was one of the highest in the history of the Wallace Collection, beaten only by years with specific crowd-drawing events such as the original opening back in 1900, the opening of the Centenary Project in 2000 and the Lucien Freud exhibition in 2004.

In 2006-07 there were no such crowd-drawing spectacles. The exhibition programme continued to be well received and the new restaurant garnered good reviews, but the concentration this year was on the presentation of the core collection. The most obvious example of this was the re-opening of the four refurbished galleries to general acclaim.

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The increase in child visits also reflected very well on the strength of our education offering.

Core Target	2005-06		2006-07		2007-8
5. Number of website visits (unique users)	500,000	668,195	550,000	1,162,205	650,000

The dramatic increase in web visits can be largely attributed to the launch of our new website in September 2006. The new site contains far more information regarding the Collection and is linked to a new site developed with our regional partners delivering high quality educational content.

Core Target	2005-06		2006-07		2007-08
6. Net income from trading (including corporate hire) (from 2005-06)	400,000	524,064	450,000	569,132	500,000

The target for trading income was comfortably exceeded. This was in the main due to a highly successful year for our facility hire business, plus the success of the new Wallace Restaurant.

Core Target	2005-06		2006-07		2007-08
7. Efficiency savings (from 2005-06)	138,000	141,473	143,000	168,000	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.

Visitor numbers are collected through staff at the only visitor entrance using a clicker to count visitors. By year-end this was backed by an electronic counting device. Child visits are also collected by a manual counting system. The socio-economic profile of our visitors is a percentage generated from our annual visitor surveys, which is then applied to the total number of visitors. Education numbers are kept automatically by the education department for the sessions that they run. Our website automatically registers the number of visitors to our site. Net income from trading is taken directly from the accounts of our trading company, Hertford House Marketing Limited. Efficiency savings are measured in line with the guidance set down by central government.

Financial Review

Financial results

Net incoming resources in the year amounted to £813,000 (2005-06: £187,977). In accordance with charity accounting guidance, this includes capital grants of £1,584,000 and charges in respect of capital expenditure of £732,000. If these items are excluded, the result for the year is an operating deficit of £39,000 (2005-06 deficit of £260,000). This operating deficit is primarily caused by the release of restricted reserves to pay for the refurbishment programme, as anticipated.

The main features were:

- (a) Grant in Aid income for the year was £3,528,000, (2005-06: £2,580,000). The increase reflects the £1m awarded towards capital improvements to Hertford House;
- (b) Conservation expenditure amounted to £218,000 (2005-06: £233,000). The decrease reflects the fact that there were no external projects in year to rival those in the previous year such as the Ceremonial Robes of a Chinese Mandarin and Bartholomeus van der Helst's *Family Group*;
- (c) Curatorial expenditure amounted to £984,000 (2005-06: £793,000). The increase reflects the additional sums invested in the exhibition programme in year plus the continued growth of the education department. There was also increased investment in the presentation of the galleries;
- (d) Security expenditure in 2005-06 was £1,374,000 (2005-06: £1,296,000). The increase reflects the fact that the vast bulk of the expenditure was on staff costs, which increased by 4.2% in 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 £863,000 (2005-06 £768,000). 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. The increased amounts paid out in 2006-07 related to additional works such as the gallery improvements plus renewed investment in the IT infrastructure. Utility bills also increased dramatically this year as world prices generally increased;
- (f) Governance costs amounted to £67,000 (2005-06: £58,000). The rise relates to the costs of the in-year exercise for recruiting new Trustees;
- (g) Fund raising expenditure amounted to £173,000, (2005-06: £101,000). The increase related to expanding the department with the appointment of a second fundraiser,

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plus shared administrative support, also the investment in the successful Versailles trip for our Heroes and Heroines;

- (h) Marketing and design expenditure amounted to £245,000 (2005-06: £174,000). The increase reflects the additional sums invested in marketing the Wallace Collection, plus increased design and distribution costs;
- (i) Trading costs relating to the wholly owned subsidiary, Hertford House Marketing Ltd amounted to £712,000 (2005-06: £594,000). This increase reflects the additional costs related to the growth in the facilities hire business: 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. £150,000 was received in year from the Wolfson/DCMS Fund towards the refurbishment of the Large Drawing Room, with a further £100,000 from the Davidson Family Trust towards the refurbishment of the Study. £250,000 was received from the Monument Trust towards the refurbishment of the Courtyard.

Reserves policy

The policy of The Wallace Collection is to seek to establish, and then maintain, a level of unrestricted reserves of over £500,000. 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 2007, the Collection's unrestricted reserves of £233,000 were below the target level. It is the policy of the Trustees that this target be achieved within the next four years. The reserve policy will be reviewed on an annual basis.

There is currently a Deferred Project Reserve (see note 17) which has a negative balance of £74,000. This represents advance work carried out on capital projects scheduled for 2007-08 and 2008-09. 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 re-valued by reference to official indices at 31 March 2007 to £36,980,000. This resulted in a revaluation increase of £1,387,000 in 2006-07;
- Total additions during the year amounted to £1,584,000, which primarily related to expenditure on the gallery and courtyard refurbishments plus the continuation of the Wallace Live project;
- Although several assets were physically disposed of in the year, a number of assets were however simply written off due to the change in capitalisation threshold. This resulted in a loss on disposal of £33,000; and

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- Depreciation charge for the year is £699,000. The building is being depreciated over an expected remaining life of 99 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 2006-07, 85% of creditors were paid within this target period (2005-06: 87 %).

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).*

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 accounts are compliant with the Charities SORP 2005.

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 2006-07. The audit fee in respect of this work was £16,500. 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 2007 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 are positioned within pay bands. 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 audited disclosure of the Director's emoluments is at note 5. The Director's bonus is decided by the Chairman in consultation with the Trustees, based on the restrictions of the Director's contract and against achievement of the Collection's objectives.

The Director's contract is currently under negotiation.

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.

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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.

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.

.....
Rosalind Savill
Director and Accounting Officer

.....
Sir John Ritblat
Chairman

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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.
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 Dormant	- 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

Dr Rosalind Savill CBE FBA 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

Annex B - Publications by Wallace Collection Staff

Dr Tobias Capwell

- *The Real Fighting Stuff: Arms and Armour at Glasgow Museums*, Glasgow 2007

Sophie Carr

- Review of Elizabeth Cropper, *The Domenichino Affair: Novelty, Imitation and Theft in Seventeenth Century Rome*, *The Art Book*, Vol.13, Issue 3, August 2006, pp.38-9.
- Review of Jonathan Brown & Susan Grace Galassi, *Goya's Last Works*, for *The Art Book*, vol. 13, issue 4, 2006, pp.21-22
- Careers article for the webpage of the University of Warwick History of Art Department.

Stephen Duffy

- 'Pomp and Power: French Drawings from Versailles', *World of Antiques & Art*, 72, February – August 2007

Giovanna Hendel

- Translations of *Il Ritratto*, a sonnet sequence by Francesco Xanto Avelli, and *Petrarch's Sonnets X and XXXIII*, published as Appendices A and B of *Xanto: Pottery-painter, Poet, Man of the Italian Renaissance*

Suzanne Higgott

- 'Nineteenth-century British glass associated with Sir Richard Wallace', *The Glass Circle Journal*, 10, 2006, pp. 44-63.
- 'Response to Jean François Boyer's article, "À propos de la plaque émaillée figurant Minerve signée Jehan de Court, 1555 de la Wallace Collection"' in, *Bulletin de la Société archéologique et historique du Limousin*, CXXXIV (2006), pp. 163-170.
- Overseeing project and general editing of *Xanto: Pottery-painter, Poet, Man of the Italian Renaissance*
- 'Xanto Avelli, poète et peintre de majoliques', *L'Objet d'Art*, 422 (March 2007), 50-58 (translation by Juliette Hibou).
- '17th AIHV Congress 2006 (Part 1)' in *Glass News*, Number 21, January 2007, pp. 7-9.

Jürgen Huber

- *The work of the Conservation Department at the Wallace Collection with a brief outline of my responsibilities* : Urushi 2005 International Course on Conservation of Japanese Lacquer, National Research Institute for cultural Properties, Tokyo

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Elisa Sani

- with Timothy Wilson; *Italian Renaissance maiolica in the collections of the Fondazione Cassa di Risparmio di Perugia*, Perugia 2006. Catalogue of a new major collection of Italian Renaissance ceramics in Italy
- ‘La Raccolta di maioliche rinascimentali della Fondazione Cassa di Risparmio di Perugia’, *CeramicAntica*, July-August 2006, pp. 36-51.
- list of Xanto’s works, published as Appendix C of *Xanto: Pottery-painter, Poet, Man of the Italian Renaissance*

Dr Eleanor Tollfree

- Re-edited version of ‘Curating: Furniture’ appeared in *Careers in Art History*, 3rd Edition, published by the Association of Art Historians, June 2006.
- Review of Eleanor Delorme (ed.), *Joséphine and the Arts of the Empire* (Los Angeles: Getty Publications, 2005), *The Furniture History Society Newsletter*, No.163, August 2006, pp.11-13
- Report on a visit to Chiswick House, 4 April 2006, *The Furniture History Society Newsletter*, No.163, August 2006, pp.22-23.

Jeremy Warren

- ‘Bronzes’ and catalogue entries in ed.Marta Ajmar-Wollheim and Flora Dennis, *At Home in Renaissance Italy*, Victoria & Albert Museum Exhibition, London 2006, esp. pp.294-305

Alan Williams

- ‘Science and fakery: the limitations of Science in the Analysis of Arms and Armour’ *Journal of the Arms & Armour Society*, 18 (2006), pp.249-254.
- “A novel in-situ approach for the examination of the microstructure of metal artefacts.”(with Vella, D. Giunlia-Mair, A. Degrigny, C. & Grech, M.) **Cost Action G8: Non-destructive testing and analysis of museum objects** ed. Denker, A. *et al.* (Brussels, 2006), p. 9-16, ISBN 10 3 8167 7178 5

Annex C - Exhibitions in 2006-07

The Founders of the Wallace Collection

2 March – 14 May 2006

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

Great British Watercolours

2 March – 14 May 2006

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.

From Jean Arp To Louise Bourgeois: Modern Artists At Sèvres

15/06/2006 - 10/09/2006

Over the past forty years the Sèvres porcelain factory has commissioned designs for porcelain from some of the leading figures in modern art.

This exhibition displayed more than forty stunning objects in porcelain designed by artists such as Jean Arp, Louise Bourgeois, Alexander Calder, Jim Dine, Ettore Sottsass and Pierre Soulages, all lent by the Sèvres porcelain factory.

Full of bright and wonderfully imaginative objects, this exhibition delighted and intrigued anyone interested in porcelain, modern art and contemporary design. It was a superb complement to the Wallace Collection's outstanding collection of eighteenth-century Sèvres porcelain.

There was a wide range of educational activities to accompany the exhibition, and even the opportunity to purchase a piece of modern Sèvres porcelain in the Wallace Collection's Shop.

A Contemporary Masterpiece: The Linley 'Dogana da Mar' Desk

02/09/2006 - 04/12/2006

David Linley's 'Dogana Desk', was inspired by one of Venice's best known landmarks, the Dogana da Mar, the imposing Customs House designed by Giuseppe Benoni in 1677.

Constructed in walnut, with burr walnut and Macassar ebony inlays, enriched with lapis lazuli, the desk has been cunningly constructed with secret drawers and decorative conceits. This display was housed in the Conservation Gallery.

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A Pair of French Earthenware Salts

04/09/2006 - 16/12/2006

This splendidly decorated pair of late-16th to early 17th century salts indicate the importance of salt as a luxury commodity. Generously lent from a private collection, these monumental vessels were made in Fontainebleau or in Pré d'Auge, Normandy. They were displayed in the Porphyry Court.

Marc Quinn Orchid

28/09/2006 - 15/10/2006

Marc Quinn's large-scale orchid, entitled *The Overwhelming World of Desire*, was generously lent to the Wallace Collection by the British Land Company PLC. The sculpture depicts an organic form made of robust industrial materials and the Wallace Collection was proud to be able to show this important piece of contemporary public art.

Pomp and Power: French Drawings from Versailles

05/10/2006 - 07/01/2007

The Wallace Collection is the sole venue for this unique opportunity to see 52 French drawings from the late 17th to early 19th centuries, lent by the Château de Versailles. Not on public display and never before shown together as a group, visitors had the opportunity to see exquisite drawings by major artists including David, Delaroche, Moreau, Cochin and Van der Meulen. *Pomp and Power: Drawings from Versailles* told the intriguing story of the world's most famous chateau, Versailles, her gardens, court and associated personalities through her history under the Bourbons in the 18th century, the Revolution and finally the Napoleonic Empire.

This exciting exhibition perfectly complemented the Wallace Collection's own superb collection of 18th and 19th century French masterpieces, on display in the permanent Collection.

Velázquez - The Lady with a Fan Revealed?

18/10/2006 - 14/11/2006

New evidence that Velázquez's hitherto anonymous *Lady with a Fan* is the Duchesse de Chevreuse (1600-79), a French woman who, after incurring the wrath of Richelieu, fled France to Spain disguised as a man.

Also on display was Velázquez's *Lady in a Mantilla*, from Chatsworth House, which has also been identified as the Duchesse de Chevreuse. This exhibition was on display in East Galleries III.

Rembrandt Regained

23/11/2006 - 25/02/2007

An exciting look at the changing critical fortunes of some of the 'Rembrandts' in the Collection. Re-attributed to other artists two decades ago by the Rembrandt Research Project, a number of paintings have recently been re-assessed and restored to Rembrandt himself. This exhibition was on display in East Galleries III.

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A Peep Inside Boulle Furniture

01/12/2006 - 28/02/2007

This exhibition offered the rare opportunity to look inside various works for this years Open Furniture display. It focussed on pieces attributed to Master craftsman André-Charles Boulle (1642-1732), his contemporaries and followers, from a floral Marquetry cabinet on a stand containing mirrors, to a wardrobe hiding the pendulum of a clock. This exhibition was on display in the Billiard Room.

Xanto: Pottery-painter, Poet, Man of the Italian Renaissance

25/01/2007 - 15/04/2007

The first exhibition ever devoted to the fascinating maiolica painter Francesco Xanto Avelli (*c.*1486-*c.*1542) who worked mainly in Urbino. He frequently depicted subjects from classical mythology, but his work is also informed by the turbulent events of his own time, such as the Sack of Rome in 1527. Besides being an artist, he was also a poet who dedicated a remarkable sequence of sonnets to the soldier Duke of Urbino, Francesco Maria Della Rovere. With more than fifty beautiful ceramics from British and Italian collections, this exhibition will delight anyone with an interest in the art, history and literature of Renaissance Italy.

The exhibition included guided tours every Thursday, a demonstration of maiolica techniques on 3 February, a conference on 23 and 24 March, and a free family trail.

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Annex D - Treasures of the Month

2006-07

April	A Renaissance Glass Goblet, c 1540-50
May	Venus after her bath by Giovanni Bologna
June	The Sword of Tipu Sultan late 18 th Century
July	The Musical Contest by Jean-Honoré Fragonard c1754-5
August	A Wardrobe attributed to André-Charles Boulle, c1700
September	Sèvres Porcelain Vase c1776
October	Persian Dagger c1496-7
November	An Italian Console Table c1700-20
December	The Adoration of the Shepherds c1660 by Bartolomé Esteban Murillo
January	Italian half-armour for parade c1570-90
February	The Accomplishment of the Vow of Louis XIII 1714 by Philippe Bertrand
March	Mademoiselle de Camargo Dancing, c.1730, by Nicolas Lancret

Annex E - Public Enquiries

Arms & Armour	132
Conservation	165
Paintings	315
Earthenware, ceramics, glass, Limoges enamels	5
Sculpture and works of art	105
Sèvres porcelain and gold boxes	17
Furniture	225
General	370
Library	Public enquiries 270, Library visitors 290

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Annex F – List of Objects Conserved

Works of art conserved (partially or fully) between April 1st 2006 & March 31st 2007 by the Wallace Collection internal conservation team.

SCULPTURE

S127	Giambologna bronze statuette of Venus (<i>inc.</i> new base made)
S131	bronze statuette of a putto
S85	bronze statuette (<i>inc.</i> new base made)
S196	bronze equestrian-group sculpture (<i>inc.</i> new base made)
S197	bronze equestrian-group sculpture (<i>inc.</i> new base made)

FURNITURE

Conservation assessments and treatment proposals were carried out for F40, F52, F62, F401 and F521.

Items of furniture conserved

F17	Cabinet
F39	Chest of Drawers
F45	Coffer on Stand
F46	Coffer on Stand
F48	Boulle coffer on stand
F61	Wardrobe (Boulle armoire)
F63	Wardrobe (Boulle armoire)
F71	Filing Cabinet and Clock
F87	Chest of Drawers
F112	Writing Table
F246	Chest of Drawers
F249	Chest of Drawers
F315	Table
F317	Table
F329	Writing Table
F388	Cabinet
F394	Coffer on Stand
F413	Filing Cabinet and Clock
F512	Console Table
P443	Picture Frame (for a painting by Greuze)

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ARMS AND ARMOUR

A101	Helmet	A504	Sword
A109	Helmet	A505	Sword
A165	Helmet	A506	Sword
A434	Stirrup	A507	Sword
A435	Stirrup	A508	Sword
A449	Horse muzzle	A509	Sword
A450	Horse muzzle	A511	Sword
A452	Horse muzzle	A515	Sword
A454	Horse muzzle	A513	Sword
A451	Horse muzzle	A514	Sword
A455	Sword hilt	A518	Sword
A456	Sword	A516	Sword
A457	Sword	A520	Sword
A458	Sword.	A521	Sword
A459	Sword	A524	Sword
A460	Sword	A525	Sword
A461	Sword	A526	Sword
A462	Sword	A527	Sword
A463	Sword	A528	Sword
A464	Sword	A529	Sword
A465	Sword	A530	Sword
A466	Sword	A531	Sword
A467	Sword	A533	Sword
A468	Sword	A540	Sword
A469	Sword	A543	Sword
A470	Sword	A544	Sword
A472	Sword	A549	Sword
A473	Sword	A550	Sword
A477	Sword	A555	Sword
A478	Sword	A557	Sword
A479	Sword	A562	Sword
A483	Sword	A563	Sword
A484	Sword	A565	Sword
A485	Sword	A569	Sword
A486	Sword	A571	Sword
A490	Sword	A572	Sword
A491	Sword	A576	Sword
A492	Sword	A578	Sword
A493	Sword	A580	Sword
A494	Sword	A582	Sword
A495	Sword	A583	Sword
A496	Sword	A584	Sword
A497	Sword	A585	Sword
A499	Sword	A586	Sword

A587	Sword	scabbard	
A588	Sword	A688	Small-sword and
A589	Sword	scabbard	
A598	Sword	A689	Small-sword and
A602	Sword	scabbard	
A604	Sword	A690	Small-sword
A610	Sword	A691	Small-sword and
A613	Sword	scabbard	
A617	Sword	A692	Small-sword and
A618	Sword	scabbard	
A619	Sword	A693	Sword
A622	Sword	A694	Sword
A623	Sword	A698	Sword
A624	Sword	A699	Sword
A625	Sword	A700	Artillery-man's sword
A627	Sword		and (five) accessories
A629	Sword	A701	Hunting sword and sheath
A630	Sword	A702	Hunting sword
A631	Sword	A704	Hunting sword
A634	Sword	A705	Hunting sword and sheath
A636	Sword	A706	Hunting sword and sheath
A639	Sword	A709	Hunting sword
A643	Sword	A710	Falchion/sword
A645	Sword	A711	Sword/sabre
A646	Sword	A712	Falchion/scimitar and
A651	Sword	scabbard	
A654	Sword	A713	Falchion/scimitar and
A655	Sword	scabbard	
A658	Sword	A714	Sword
A660	Sword	A715	Sword
A662	Sword	A716	Sword
A663	Sword	A717	Falchion/sword
A664	Sword	A719	Sword
A665	Sword	A720	Sword
A667	Sword	A724	Sword and scabbard
A668	Sword	A725	Calendar sword
A669	Sword	A726	Dagger
A670	Sword	A727	Dagger and sheath
A671	Small-sword	A728	Dagger and sheath
A672	Small-sword	A729	Dagger and sheath
A675	Small-sword	A732	Dagger and sheath, knife,
A677	Small-sword		and pricker
A678	Small-sword	A733	Dagger
A679	Small-sword	A734	Dagger and sheath
A685	Small-sword	A735	Dagger and sheath
A687	Small-sword and	A737	Dagger

A739	Dagger	A811	Dagger
A740	Dagger	A813	Dagger
A741	Dagger	A814	Dagger
A743	Dagger	A815	Dagger
A744	Dagger	A816	Dagger
A745	Dagger	A817	Dagger and sheath
A748	Dagger	A818	Dagger
A749	Dagger	A819	Dagger
A750	Dagger	A820	Dagger
A752	Dagger and sheath	A821	Dagger
A754	Dagger and sheath	A822	Dagger
A755	Dagger and sheath, knife, and pricker	A823	Dagger
A756	Dagger and sheath	A824	Dagger
A757	Dagger and sheath	A825	Dagger
A758	Dagger and sheath	A827	Dagger
A760	Dagger and sheath	A828	Dagger
A761	Dagger and sheath	A829	Dagger
A765	Sheath of a dagger	A830	Dagger
A768	Dagger and sheath	A831	Dagger
A769	Dagger and sheath	A832	Dagger
A770	Dagger and sheath	A833	Dagger
A771	Dagger and sheath	A834	Dagger
A774	Dagger and sheath	A835	Dagger
A775	Dagger	A836	Dagger
A779	Dagger, sheath and pricker	A837	Dagger
A780	Dagger	A839	Dagger
A781	Dagger	A840	Dagger
A782	Dagger, sheath and knife	A841	Dagger
A783	Dagger and sheath	A842	Dagger and sheath
A784	Dagger	A843	Dagger
A786	Dagger	A844	Dagger
A789	Dagger	A845	Dagger
A791	Dagger and sheath	A846	Dagger
A794	Dagger	A848	Dagger and sheath
A795	Dagger	A850	Dagger
A796	Dagger	A851	Dagger
A797	Dagger	A852	Dagger
A799	Dagger	A854	Dagger
A802	Dagger	A855	Dagger
A804	Dagger	A856	Dagger
A805	Dagger and sheath	A857	Dagger
A808	Dagger and sheath	A858	Dagger
A809	Dagger	A859	Dagger
A810	Dagger	A860	Dagger
		A861	Sheath of a dagger
		A862	Dagger

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A863	Dagger	crossbows	
A864	Dagger and sheath	A1061	Quiver
A866	Dagger and sheath		
A867	Sword-breaker dagger	A1072	Wheel-lock gun
A868	Sword-breaker dagger	A1073	Wheel-lock gun
A887	Serving knife	A1074	Combined match-and-
A888	Serving knife		wheel-lock gun
A889	Knife	A1075	Wheel-lock gun
A890	Knife	A1076	Wheel-lock gun
A896	Knife	A1078	Wheel-lock gun
A899	Knife and sheath	A1079	Wheel-lock gun
A909	Fork	A1080	Wheel-lock gun
A924	Axe-head on modern haft	A1081	Wheel-lock gun
A977	War-hammer	A1082	Wheel-lock gun
A978	Mace	A1083	Wheel-lock gun
A979	Mace	A1084	Wheel-lock gun
A981	Mace	A1088	Wheel-lock gun
A985	Mace	A1089	Wheel-lock gun
A986	Mace	A1090	Wheel-lock gun
A1029	Walking staff	A1091	Wheel-lock gun
A1030	Walking staff	A1092	Wheel-lock gun
A1033	Crossbow	A1093	Wheel-lock gun
A1034	Crossbow	A1094	Wheel-lock gun
A1035	Crossbow	A1096	Wheel-lock gun
A1036	Crossbow	A1097	Wheel-lock gun
A1037	Crossbow	A1098	Wheel-lock gun
A1038	Crossbow	A1099	Wheel-lock gun
A1039	Windlass for a crossbow	A1100	Wheel-lock gun
A1040	Crossbow	A1101	Wheel-lock gun
A1041	Crossbow	A1102	Wheel-lock gun
A1042	Crossbow	A1103	Wheel-lock gun
A1043	Stone-Bow	A1104	Wheel-lock gun
A1044	Stone-Bow	A1106	Wheel-lock gun
A1045	Stone-Bow	A1107	Wheel-lock gun
A1046	Stone-Bow	A1108	Wheel-lock gun
A1047	Stone-Bow	A1109	Wheel-lock gun
A1048	Stone-Bow	A1110	Wheel-lock gun
A1049	Stone-Bow	A1111	Wheel-lock gun
A1051	Crossbow	A1112	Wheel-lock gun
A1055	Rack for spanning	A1113	Wheel-lock gun
crossbows		A1115	Wheel-lock gun
A1056	Rack for spanning	A1116	Wheel-lock gun
crossbows		A1119	Flint-lock gun
A1057	Rack for spanning	A1120	Flint-lock gun
crossbows		A1121	Flint-lock gun
A1058	Rack for spanning	A1122	Flint-lock gun

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A1123	Flint-lock gun	A1160	Wheel-lock pistol
A1124	Flint-lock gun	A1161	Wheel-lock pistol
A1125	Flint-lock gun	A1162	Wheel-lock pistol
A1128	Flint-lock gun	A1163	Wheel-lock pistol
A1129	Flint-lock gun	A1168	Wheel-lock pistol
A1131	Flint-lock gun	A1169	Wheel-lock pistol
A1132	Flint-lock gun	A1171	Wheel-lock pistol
A1134	Flint-lock gun	A1173	Wheel-lock pistol
A1134	Flint-lock gun	A1174	Wheel-lock pistol
A1136	Wheel-lock pistol	A1178	Wheel-lock pistol
A1137	Wheel-lock pistol	A1179	Wheel-lock pistol
A1143	Wheel-lock pistol	A1181	Wheel-lock pistol
A1147	Wheel-lock pistol	A1184	Wheel-lock pistol
A1150	Wheel-lock pistol	A1201	Flint-lock pistol
A1152	Wheel-lock pistol	A1202	Flint-lock pistol
A1154	Wheel-lock pistol	A1235	Flint-lock pistol
A1155	Wheel-lock pistol	A1236	Flint-lock pistol
A1156	Wheel-lock pistol	A1237	Flint-lock pistol
A1157	Wheel-lock pistol	A1264	Powder flask
A1158	Wheel-lock pistol	A1284	Powder flask, pouch and
A1159	Wheel-lock pistol	frog	

Works of art fully conserved between April 1st 2006 & March 31st 2007 by external conservators.

PICTURES

Greuze, *Girl in a Blue Dress* (P425)

Van der Helst, *The Van Aras Family Group* (P110)

TEXTILES

Ceremonial Dress of a Mandarin (OA1701)

CLOCKS

F41

F93

F258

F263

F266

Annex G – Staff, External Positions Held

Dr Rosalind Savill, CBE, FBA, FSA

Fellow of the British Academy 2006

President of French Porcelain Society

Trustee of the Holburne Museum of Art

Member of the Apsley House Art Panel

Member of the National Trust Arts Panel

Trustee of the Campaign for Museums

Trustee of the Attingham Trust

Judge of Great Britons 2006 Awards

Judge of the European Women of Achievement Awards 2006

Member of the Advisory Panel for the redisplay of Objets d'Art at the Musée du Louvre

David Edge

Fellow of the Society of Antiquaries

Board Member of the Oakeshott Institute (dedicated to the study and research of historic swords)

Member of the United Kingdom Institute of Conservation

Lecturing Member of the Metals Conservation Summer Institute (Massachusetts, U.S.A.)

Served on the vetting committee for Arms and Armour TEFAF, Maastricht

Served on the Anglo-Sikh Heritage Committee

Suzanne Higgott

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

Lucy Holmes

Member of the Unique Venues of London Management Committee

Jürgen Huber

Membership of the United Kingdom Institute of Conservation

Deborah Lee

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

The Wallace Collection Annual Report and Accounts 2006-07

Dr Eleanor Tollfree

Council member of the Furniture History Society and member of the Furniture History Society Activities Committee

Editor of the Attingham Society Newsletter

Committee member of the Society of Decorative Arts (SODAC)

Jeremy Warren

Fellow of the Society of Antiquaries

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

Trustee of the Compton Verney Collection Settlement Trust

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

Staff in post at 31st March 2007

Director's Office

Rosalind Savill CBE FSA

Director

Dragica Carlin

Alexander Stanbury

Curatorial Department

Jeremy Warren FSA

Assistant Director: Head of Collections

Tobias Capwell

Leda Cosentino

Stephen Duffy

Suzanne Higgott

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

Collections Information Manager

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Phoebe Harris
Cassandra Parsons
Jessica Rapson

Picture Library

Melanie Oelgeschlager

Development and Marketing

Clare O'Brien

Assistant Director: Head of Development and Marketing

Danielle Cunningham

Emma Garner

Tamsin Selby

Events Department

Lucy Holmes

Head of Events

Kathryn Bailey

Elisa Barton

Retail

Anita Richardson

Head of Retail

Abdul Aziz

Dennis Dalby

Sophie Golden

Sarah McGregor

Michael Parkhouse

Sonja Tiblijas

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

Brian Mitchell

Security Team Members

Richard Bennett

Chris Chamberlain

Cynthia Christou

Pauline Dixon

Sam King

Rudolph Notice

Alain Pottier

Martin Quirke

Jamie Samain

Caroline Tooley

Gualtiero Vitelleschi

Gallery Team Members

Yasser Ahmed

Seth Brignell

Margaret Bruen

Hoffman Bynoe

Chris Caisley

Eric Carrington

Kathryn Cassidy

David Chivers

Anthony Codrington

Caroline Collinge

Rhonda D'Agnolo

Andreas D'Apice

Paola Ferracini

Beverley Fish

Juan Jose Gomez

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

Roselyn Pridmore

Adrian Pye

Marie Reynolds

William Riding

Peter Rispin

Pamela Ruff

Sergey Ruthovsky

Lioudmila Sekirtchina

Katie Sharp

Glynis Younan

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Annex I - Wallace Collection Supporters 2006-07

INDIVIDUALS

Anonymous
Mrs Irene Roosevelt Aitken
Lady Alexander of Weedon
Mr and Mrs Henry Arnhold
Mrs Michael Beiny Harkins
Mr Michael Bloomberg
Viscountess Bridgeman
Anne Buddle
Peter and Sally Cadbury
Mr Edward Lee Cave
The Marquess of Cholmondely
Cynthia and Oliver Colman
Mr Richard Crumpton
Manny and Brigitta Davidson
Mrs Michel David-Weill
Mr Stephane Diedrich
Dame Vivien Duffield
Mr Robert Dziedziech
Mr and Mrs Bruno Eberli
The Hon Simon Eccles
Mr Giles Ellwood
Mr Andrew Graham
Mr John Griffith-Jones
Mr and Mrs Charles Haddon-Cave
Lady Heseltine
Dr Alan J Horan OBE & Mrs Alan Horan
Mrs Della Howard
Mr and Mrs Philip Hubbard
Jane Hudson-Davies
Lady Judge
Mr and Mrs James Kirkman
Mr Norman A Kurland and Deborah A. David
Mr Michael Mackenzie
Miss Jennifer Montagu
Mr and Mrs Jack Nash
Ms Diane Nixon
Mr and Mrs Jim Norling
In Memory of the late A.V.B (Nick) Norman
Mr and Mrs John Northover
Mr and Mrs Richard Pearman
Lady Phillips
Mr George R Pinto
Mr Alex Porter
Charles and Caroline Pridgeon
Mr William Pye
Sir John Ritblat
Mrs Pamela Roditi
Mr and Mrs David Roth
Ms Kate de Rothschild
Mr Adrian Sassoon
Mr Timothy Schroder
Mr and Mrs Morton Sosland
Mrs Frederick Stafford
Ms Denise Stone
Dr and Mrs Paul Sullivan
Mr and Mrs Tony Swaisland
The Dowager Lady Swaythling
Carolyn Townsend
The Rt Hon Lord Tugendhat
Lord and Lady Tunnicliffe
Mr and Mrs Max Ulfane
Mr and Mrs Patrick Vaughan
Mrs Anne Verhoeven
Mr and Mrs Arend Versteegh
Mrs Jane Wainwright
The Hon Mrs Simon Weinstock
Mr Clement Wheeler
Mr and Mrs George U Wyper
Mr and Mrs Rainer Zietz

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HERTFORD HOUSE RESTORATION

Anonymous
American Friends
Manny and Brigitta Davidson and Family
Susan and Samuel Lehrman
The Monument Trust
Sir John Ritblat and Family
Arend and Cecilia Versteegh
The Weston Family
The Wolfson Foundation

TRUSTS

The Band Trust
The Elizabeth Cayzer Charitable Trust
Ceramica-Stiftung Basel
Excel Fund
The Friends of the BADA Trust
Bernd und Eva Hockemeyer Stiftung
John Lyon's Charity
John S Cohen Foundation
The Kirby Laing Foundation
The Lynn Foundation
The Schroder Foundation
Trusthouse Charitable Foundation
The Two R's Charitable Trust
The William Arthur Rudd Memorial Trust

CORPORATE

Anonymous
BDO Stoy Hayward
BT plc
The British Land Company plc
Colliers CRE
Derwent London plc
Diageo
European Credit Management
Living Capital Ltd
Pellings
Pell Frischmann
Portman Estate
Sotheby's

GOVERNMENT

Department for Culture, Media and Sport

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Organisations and individuals holding events at the Wallace Collection

A. Bilbrough & Co. Ltd	Kids Charity
Adrian Sassoon Heroes Dinner	Kier Property
Air France	Kroll
Mrs Alison Reed	Learning and Skills Council
Allen & Overy	Lehman Brothers
ANA	Livingstone Guarantee
Aralon	London Merchant Securities
BAE Systems	Lonmin
Bank of New York	Look Ahead Housing and Care
Banks Sadler	Maitland
Barclays	McDermott Will & Emery
BBC Magazines	McKinsey
BDO Stoy Hayward	Morgan Stanley
Ben Thompson Events Ltd	Mr Rangoonwala
Bircham Dyson Bell	Mr & Mrs M Strauss
Booz Allen Hamilton	Mr & Mrs Daniel Nash
BP	MS Society
British Land	MundiPharma
Burges and Salmon	National Lottery Commission
Chartered Institute of Taxation	Newgrove Estates
CIEL UK	Mr Nicholas Eeley
Citigroup	NSPCC
Cluttons	Nymex
Colliers Conrad Ritblat Erdman	Palamon Capital Partners
Colliers CRE	Parsons Brinckerhoff
Credit Suisse	Pell Frischmann
Dawsons	Permira Advisers LLP
Deutsche Bank	Phelan/Johanssen Wedding
Dunlop Haywards	Poetry Book Society
Euromoney Conferences	Portman Estate
European Credit Management	Powerhouse Partnership
Eversheds	Pulse Brands
Ferrier Competition	Rapier Group
Fin International	RTKL-UK Ltd
Financial Times	Samsung
First Protocol	Sandler Consulting
Hallmark Travel	Serica Energy
IDN Telecom	Simmons and Simmons
In Any Event Tours	Smyle Events
ING Bank	SOS/Dame Vera Lynn
Institute of Directors	Mr & Mrs Morton Sosland
Institution of Lighting Engineers	Stephen Webster
ISES Event	Stonewall
J & A Pelling Limited	Terrace Hill
John Ellerman Foundation	The Art Fund

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TRI Hospitality Consulting
UCL Hospital
UKDS
Unicorn Press
Upstage Events

Victoria Smith
Watson Farley & Williams
Wickland Westcott
Yes to Life
Zest Events - Vision Capital

The Wallace Collection Annual Report and Accounts 2006-07

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.

..... **Chairman**

..... **Director and Accounting Officer**

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

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 2007 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.

The Wallace Collection Annual Report and Accounts 2006-07

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 2006-07 this can be seen by the decision to go ahead with the refurbishment of two galleries plus the Courtyard. 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 2006-07 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 2006-07. Internal Audit's overall assessment was that the controls in place were generally sound.

The Wallace Collection Annual Report and Accounts 2006-07

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.

.....
Rosalind Savill
Director and Accounting Officer

.....

.....
Sir John Ritblat
Chairman

.....

The Wallace Collection Annual Report and Accounts 2006-07

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 2007 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Collection Balance Sheets, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and the Director, as Accounting Officer, are responsible for preparing the Annual 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 Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 report to you whether, in my opinion, certain information given in the Annual Report, which comprises: Structure, Governance and Management; Review of the Year; Financial Review; and Reference and Administrative details of the Charity, its Trustees and Advisors, is consistent with the financial statements. 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.

In addition, I report to you 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 Internal control reflects The Wallace Collection's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of The Wallace Collection'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. 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 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's circumstances, consistently applied and adequately disclosed.

The Wallace Collection Annual Report and Accounts 2006-07

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.

Opinions

Audit 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 Wallace Collection and the group's affairs as at 31 March 2007 and of its incoming resources and application of resources of the group 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
- information given within the Annual Report, which comprises Structure, Governance and Management; Review of the Year; Financial Review; and Reference and Administrative details of the Charity, its Trustees and Advisors, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Wallace Collection Annual Report and Accounts 2006-07

Report

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*

July 2007

The Wallace Collection Annual Report and Accounts 2006-07

Consolidated Statement of Financial Activities for the year ended 31 March 2007

	Notes	Unrestricted Funds	Restricted funds	Total 2006/07	Total 2005/06
		£000	£000	£000	£000
Incoming resources					
Incoming Resources from generated funds					
Voluntary Income					
Donations and similar resources	2	256	802	1,058	890
Grant-in-Aid	2	3,528	0	3,528	2,580
Other Public Funds	2	0	160	160	160
Activities for generating funds					
Trading income	19	1,316	0	1,316	1,117
Exhibition income		0	0	0	9
Investment income	4	34	6	40	23
Incoming resources from charitable activities	3	46	0	46	63
Total incoming resources		5,180	968	6,148	4,842
Resources expended					
Costs of generating funds					
Costs of generating voluntary income					
Fundraising expenditure		173	0	173	101
Marketing and design expenditure		245	0	245	174
Fundraising trading: cost of goods sold and other costs	19	712	0	712	594
Charitable activities					
Conservation expenditure		217	1	218	233
Curatorial expenditure		703	281	984	793
Security expenditure		1,374	0	1,374	1,296
Building and maintenance expenditure		1,071	491	1,562	1,405
Governance Costs	9	30	37	67	58
Total resources expended		4,525	810	5,335	4,654
Notional costs:					
Cost of Capital	6	109	2	111	89
Net incoming/(outgoing) resources before transfers		546	156	702	98

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Reversal of notional costs	109	2	111	89
Transfers				
Gross Transfers between funds	719	(719)	0	0
Net incoming resources before other recognised gains and losses	1,374	(561)	813	188
Gains on revaluation of fixed assets for charity's own use	135	1,287	1,422	1,162
Net movement in funds	1,509	726	2,235	1,350
Fund Balances Brought Forward at 1 April 2006	2,556	33,879	36,435	35,085
Fund Balances Carried Forward at 1 April 2007 17	4,065	34,605	38,670	36,435

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 68-86 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2006-07

**Consolidated Balance Sheet
at 31 March 2007**

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	12	<u>38,387</u>	<u>36,113</u>
Current assets			
Stock	13	194	231
Debtors	14	372	324
Cash at bank and in hand	18	<u>497</u>	<u>379</u>
		1,063	934
Creditors: amounts falling due within one year	15	<u>(780)</u>	<u>(612)</u>
Net current assets		283	323
Net assets	16	<u>38,670</u>	<u>36,435</u>
Represented by:			
Restricted income funds	17	34,605	33,879
Unrestricted funds:			
Designated funds	17	3,832	2,309
General funds	17	233	247
		<u> </u>	<u> </u>
Total funds	17	<u>38,670</u>	<u>36,435</u>

.....Sir John Ritblat - Chairman

.....Dr Rosalind Savill - Director
and Accounting Officer

The notes on pages 68-86 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2006-07

**The Collection Balance Sheet
at 31 March 2007**

	Notes	2007 £000	2006 £000
Fixed assets			
Investment	8	0	0
Tangible assets	12	38,377	36,096
		<hr/>	<hr/>
		38,377	36,096
Current assets			
Stock	13	75	94
Debtors	14	409	504
Cash at bank and in hand		307	158
		<hr/>	<hr/>
		791	756
Creditors: amounts falling due within one year	15	(510)	(430)
Net current assets		<hr/>	<hr/>
		281	326
Net assets		<hr/>	<hr/>
		38,658	36,422
Represented by:			
Restricted income funds		34,605	33,879
Unrestricted funds:			
Designated funds		3,833	2,309
General funds		220	234
		<hr/>	<hr/>
Total funds		38,658	36,422

..... Sir John Ritblat - Chairman

..... Dr Rosalind Savill - Director and
Accounting
Officer

The notes on pages 68-86 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2006-07

**Consolidated Cash Flow Statement
for the year ended 31 March 2007**

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities	18 a)	1,662	785
Returns on investment and servicing of finance	18 b)	40	23
Capital expenditure and financial investment	18 b)	(1,584)	(1,079)
Increase (decrease) in cash in the year	18 c)	<u>118</u>	<u>(271)</u>

The Wallace Collection Annual Report and Accounts 2006-07

Notes to the financial statements for the year ended 31 March 2007

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and comply with the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (2005), the HM Treasury Financial Reporting Manual, the Accounts Direction given by the Secretary of State for Culture, Media and Sport and applicable accounting standards.

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

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. Deferred income for 2006-07 was £250,009 (2005-06 £185,764). All of the deferred income for 2005-06 was released in 2006-07. Deferred income relates to deposits for future Corporate Events plus the element of Corporate Membership fees that relates to the subsequent year.

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. 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 2006-07

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 £1,000 and above (2005/06 £500) are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £500 (2005/06 £100) and purchased in bulk are grouped and capitalised when the combined total exceeds £1,000 (2005/06 £500). This change of policy has been introduced to avoid unnecessary capitalisation of comparatively low value items and is in line with other public sector organisations. The accounting impact of writing off those previously capitalised items valued at between £500 and £1000 this year has been a charge of £18,200. 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)

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Fixed assets are depreciated in the year of acquisition but not in the year of disposal.

The fixed assets are re-valued to current costs, where material, using a range of appropriate indices. Impairment reviews will be carried out where fixed assets show indications of potential impairments.

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.

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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% (2005/06 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 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.

2. Voluntary Income

£3,528,000 (2005/06 £2,580,000) of Grant in Aid has been received from the Department for Culture, Media and Sports (Request for Resources 1) during the year, of which £1,000,000 has been used to fund capital improvements (2005/06 £150,000); 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 (2005/06 £160,000). Donations and similar charges include a donation of £150,000 from the DCMS/Wolfson Foundation Fund towards the cost of refurbishing the galleries.

3. Incoming resources from charitable activities

The operating income from collection activities of £45,641 (2005/06 £63,483) includes £39,069 income from education activities (2005/06 £56,556), and other miscellaneous income of £6,572 (2005/06 £6,927).

4. Investment income

	2006/07	2005/06
	£000	£000
Interest receivable	<u>40</u>	<u>23</u>

Interest is earned on short term cash deposits.

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5. Total resources expended

	Staff costs	Other costs	Depreciation	2006/07	2005/06
	£000	£000	£000	£000	£000
Costs of generating funds					
Fundraising	107	66	0	173	101
Marketing and Design	82	163	0	245	174
Trading expenditure	362	344	6	712	594
Charitable activities					
Conservation	164	54	0	218	233
Curatorial	618	366	0	984	793
Security	1,251	123	0	1,374	1,296
Building and Maintenance	148	721	693	1,562	1,405
Governance	0	67	0	67	58
	2,732	1,904	699	5,335	4,654

a) Curatorial costs

	2006/07	2005/06
	£000	£000
Staff costs	618	491
Education and Exhibitions	166	131
Library and Archives	29	29
Other	116	111
Publications	55	31
	984	793

b) Staff costs

	2006/07	2005/06
	£000	£000
Wages and salaries	2,167	1,986
Social security costs	166	146
Pension costs	346	307
	2,679	2,439
Casual staff costs	53	42
	2,732	2,481

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The above does not include £107,000 relating to staff costs that were capitalised in year (2005-06 £63,000). These are staff costs relating solely to the development of the Wallace Live Collections Management System.

There were four members of Senior Management in the year, being the Director and three Assistant Directors (2005/06 four). Other than the Director, no other member of staff had taxable earnings above £60,000 in 2006/07 (2005/06 none)

c) Pension Costs

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

For 2006/07, employers' contributions of £356,691 were payable to the PCSPS (2005/06: £307,506) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2005/06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2006/07 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 2007 four members of staff had taken up this option (2005/06 none).

Employers' contributions of £3,506 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions equivalent to 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £475. No contributions were prepaid at that date.

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

	Permanent Staff	Temporary Staff	Managerial Staff	2006/07 Total	2005/06 Total
Director's Office	1.5	0.0	1.0	2.5	2.0
Conservation	3.8	0.0	0.0	3.8	4.1
Curatorial	13.4	0.0	1.0	14.4	13.7
Security	50.0	4.0	0.0	54.0	55.9
Building and Maintenance	3.0	0.0	0.0	3.0	2.5
Fundraising	1.5	0.0	0.5	2.0	1.5
Marketing & Design	1.3	0.0	0.5	1.8	1.5
Trading	9.1	0.4	0.0	9.5	9.4
Finance and HR	3.0	0.0	1.0	4.0	4.0
	86.6	4.4	4.0	95.0	94.6

The above figures relate to full time equivalent staff numbers. This excludes 4.5 FTE fixed term staff members whose costs were capitalised.

d) Director

During the year the Director received remuneration of £112,095 (2005/06:£82,966). This includes two non consolidated bonuses, one for the year of account (£12,666) plus one that was still outstanding at the previous year end for that year (£12,349, accrued for in 2005-06), plus two annual pay rises also for the same years. The Director's pension contributions of £22,250 (2005/06: £20,410) were charged to the Collection. Neither the Director, nor any other member of staff, received any benefits-in-kind in year. The Director's contract of employment is currently under negotiation.

The Director's salary and pension entitlements as at 31 March 2007 were as follows:

Salary including Bonus	Real increase in pension and lump sum	Total accrued pension and lump sum at age 60 at 31 March 07	CETV at 31 March 06	CETV at 31 March 07	Employee contributions and transfers in	Real increase in CETV after adjustments for and changes in market investment factors
£000	£000	£000	£000	£000	£000	£000
112	1 pension plus 2 lump sum	36 pension plus 108 lump sum	699	744	1 employee contributions plus 0 transfers in	10

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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.

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.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2006 on the advice of the Scheme Actuary. The CETV figure for 31 March 2006 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2007

The real increase in CETV 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

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e) Trustees

The Trustees neither received nor waived any emoluments during the year (2005/06: £nil). Expenses reimbursed to one of the Trustees for travel and subsistence amounted to £343 (2005/06: £761). This was funded from a specific donation. The Chairman and Board of Trustees are appointed for periods of 3 to 5 years.

6. Notional cost of capital

Notional cost of capital is calculated as 3.5% (2005/06 3.5%) of the average capital employed by the Collection in the year (excluding Hertford House), less an amount equal to assets originally donated. This amounted to £110,570 (2005/06: £89,400). 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:

	2006/07	2005/06
	£000	£000
Auditors' remuneration:		
External auditors fees	21	20
Internal audit fees	6	6
Operating lease rentals for hire of plant and machinery	11	10
Travel, subsistence and hospitality	39	28

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.

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9. Governance costs

Governance costs include:

	2006/07	2005/06
	£000	£000
Trustee Board costs	12	5
Legal Fees	6	27
External and Internal Audit Fees	26	26

10. Support Costs Breakdown by Activity

Support Costs	Conservation	Curatorial	Security	Building & Maintenance	Fundraising	Marketing & Design
	£000	£000	£000	£000	£000	£000
Director's Office	19	95	19	19	19	19
Finance	9	35	56	66	6	11
Human Resources	3	13	48	2	1	1
Office support and supplies	8	27	6	7	7	14
Total	39	170	129	94	33	45

Support costs are re-attributed to the main spending areas based on the most appropriate method of apportionment. This may be by proportion of usage, overall expenditure or staff numbers.

11. Breakdown of Costs of Direct Activities

Activity	Activities undertaken directly	Support costs	Total
	£000	£000	£000
Conservation expenditure	179	39	218
Curatorial expenditure	813	170	983
Security expenditure	1,245	129	1,374
Building and maintenance expenditure	1,468	94	1,562
Fundraising expenditure	140	33	173
Marketing and design expenditure	201	45	246
Total	4,046	510	4,556

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12. Tangible fixed assets

Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equipment £000	Assets Under Construction £000	Total £000
Cost/valuation					
Balance at					
01 April 2006	35,000	1,487	292	278	37,057
Additions	22	185	27	1,350	1,584
Transfers	571	55	0	(626)	0
Disposals	0	(80)	(67)	0	(147)
Revaluation	1,387	48	0	0	1,435
Balance at					
31 March 2007	36,980	1,695	252	1,002	39,929
Depreciation					
Balance at					
1 April 2006	0	721	223	0	944
Charge for the year	512	146	41	0	699
Disposals	0	(54)	(60)	0	(114)
Revaluation	0	13	0	0	13
Balance at					
31 March 2007	512	826	204	0	1,542
Net book value					
Balance at					
31 March 2007	36,468	869	48	1,002	38,387
Balance at					
31 March 2006	35,000	765	69	279	36,113

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The net book value at 31 March 2007 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office equipment £000	Assets Under Construction £000	Total £000
Charitable purposes	36,468	864	42	1,002	38,376
Trading Activities	0	5	6	0	11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	36,468	869	48	1,002	38,387

The Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office Equipment £000	Assets Under Construction £000	Total £000
Cost/valuation					
Balance at 01 April 2006	35,000	1,438	236	278	36,952
Additions	22	185	27	1,350	1,584
Transfers	571	55	0	(626)	0
Disposals	0	(80)	(67)	0	(147)
Revaluation	1,387	48	0	0	1,435
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2007	36,980	1,646	196	1,002	39,824

Depreciation

Balance at 1 April 2006	0	680	176	0	856
Charge for the year	512	144	36	0	692
Disposals	0	(54)	(60)	0	(114)
Revaluation	0	13	0	0	13
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2007	512	783	152	0	1,447

Net book value

Balance at

31 March 2007	36,468	863	44	1,002	38,377
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Balance at

31 March 2006	35,000	758	59	279	36,096
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Freehold buildings

The Wallace Collection is housed in Hertford House, Manchester Square, London,

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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. In between full five yearly revaluations the land, building and fixtures and fittings are revalued on an annual basis using Office for National Statistics official indices.

13. Stock

	Group 2006/07 £000	Group 2005/06 £000	Collection 2006/07 £000	Collection 2005/06 £000
Goods for resale	<u>194</u>	<u>231</u>	<u>75</u>	<u>94</u>

14. Debtors

	Group 2007 £000	Group 2006 £000	Collection 2007 £000	Collection 2006 £000
Trade debtors	216	150	28	5
Other debtors	19	14	19	14
VAT debtors	35	64	92	105
Amount due from subsidiary	-	-	195	294
Prepayments and accrued income	102	95	75	86
	<u>372</u>	<u>323</u>	<u>409</u>	<u>504</u>

Other than the VAT debtor shown above (HMRC), no other amounts were due from other Whole of Government Account bodies.

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

15. Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Collection 2007 £000	Collection 2006 £000
Trade creditors	161	212	137	206
Taxation and Social Security	86	73	86	73
Accruals and deferred income	533	327	287	151
	<u>780</u>	<u>612</u>	<u>510</u>	<u>430</u>

Other than the £86,000 owed to HMRC and Cabinet Office Superannuation scheme in relation to staff pension and tax costs no other amounts were owed to other Whole of Government Accounts bodies at year end.

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16. Analysis of net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total March 2007 £000
Fund balances at 31 March 2007 are represented by:			
Tangible fixed assets	3,906	34,481	38,387
Current assets	939	124	1,063
Current liabilities	(780)	0	(780)
Total net assets	4,065	34,605	38,670

There are no unrealised gains included above.

17. Statement of funds

	Balance at 1 April 2006 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2007 £000
Unrestricted funds						
Designated funds:						
Capital projects fund (a)	2,240	890	(241)	0	719	3,608
Revaluation Reserve	163	0	0	135	0	298
Deferred Project Reserve (b)	(94)	94	(74)	0	0	(74)
General funds	247	4,196	(4,210)	0	0	233
Total unrestricted funds	2,556	5,180	(4,525)	135	719	4,065
Restricted income funds						
Capital reserve (c)	30,978	0	(491)	0	(25)	30,462
Revaluation Reserve	2,733	0	0	1,287	0	4,020
Conservation projects (d)	0	1	(1)	0	0	0
Education fund (e)	0	206	(206)	0	0	0
Sculpture Catalogue (f)	1	0	0	0	0	1
Archive project (g)	52	24	0	0	0	76
Curatorial Projects (h)	0	12	(12)	0	0	0
Exhibitions fund (i)	14	99	(63)	0	(36)	14
Wallace Live Fund (j)	0	56	0	0	(56)	0
Gallery Refurbishment (k)	89	513	0	0	(602)	0
Chairman's Fund (l)	12	57	(37)	0	0	32
Total restricted funds	33,879	968	(810)	1,287	(719)	34,605
Total funds	36,435	6,148	(5,335)	1,422	0	38,670

a) The Capital Projects Fund comprises the Collection's fixed assets purchased using unrestricted funds.

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- b) The Deferred Project reserve reflects the work done so far in preparation for the capital projects that will be completed in 07-08. It will be cleared by income in the coming period.
- 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 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 2006-07 by a £160,000 donation from DCMS/DfES for strategic commissioning of e-learning and regional partnerships.
- f) The Sculpture Catalogue reserve was set up with a donation to finance the research of a new sculpture catalogue.
- g) The archive fund was set up by a bequest in 2005/06 in order to facilitate the cataloguing and research of the Collection archives.
- h) The curatorial fund was set up in 2005/06 with a donation to allow the purchase of a historic picture frame.
- i) The Exhibition fund was set up in 2005/06 in order to facilitate the Collection's temporary exhibition programme.
- j) The Wallace Live fund receives donations to contribute towards the Wallace Live project, creating a Collections Management System.
- k) 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 and the Courtyard refurbishment.
- l) The Chairman's Fund receives donations from the Chairman to enable the Wallace Collection to make various payments for the benefit of the Wallace Collection including the reimbursement of certain Trustee expenses incurred on Collection business.

The transfer between restricted and unrestricted reserves represents a re-evaluation of the origin of fixed assets, and an exercise to match disclosures with the fixed assets register.

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18. Cash flow information

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

	2006/07 £000	2005/06 £000
Net (outgoing)/incoming resources for the year	813	188
Depreciation	699	638
Investment income received	(40)	(23)
Loss/(profit) on disposal of fixed assets	33	(7)
(Increase)/decrease in stock	37	(35)
(Increase)/decrease in debtors	(48)	(27)
Increase/(decrease) in creditors	168	51
Net cash inflow from operating activities	<u>1,662</u>	<u>785</u>

b) Analysis of cash flows

	2006/07 £000	2005/06 £000
Returns on investments and servicing of finance		
Interest received	40	23
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	1,584	1,079

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

	2006/07 £000	2005/06 £000
(Decrease)/Increase in cash in the year	<u>118</u>	<u>(271)</u>
Movement in net funds in the year	<u>(118)</u>	<u>271</u>
Net funds at 1 April (note 18(d))	<u>379</u>	<u>651</u>
Net funds at 31 March (note 18(d))	<u>497</u>	<u>380</u>

d) Analysis of net funds

	01-Apr 2006 £000	Cash Flow £000	31-Mar 2007 £000
Cash at bank and in hand	<u>379</u>	<u>118</u>	<u>497</u>

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19. Hertford House Marketing Ltd

The Collection owns the whole of the issued share capital of 2 issued shares of £1 nominal value, of Hertford House Marketing Limited, a company registered in England & Wales. The company's principal activities are Corporate Event hire, Retail, the Picture Library and the running of the Wallace Restaurant franchise.

Income and Expenditure

Account:

	2006/07	2005/06
	£000	£000
Turnover	1,316	1,117
Cost of Sales	<u>(182)</u>	<u>(165)</u>
Gross profit	1,134	952
Administrative Expenses	<u>(582)</u>	<u>(433)</u>
Operating Profit	552	519
Interest Receivable	17	5
Contribution to The Wallace Collection	<u>(569)</u>	<u>(519)</u>
Net Profit before Tax	0	5
Tax	<u>0</u>	<u>0</u>
Net Profit (Loss) after Tax	0	5

Balance sheet

	2007	2006
	£000	£000
Tangible Fixed Assets	11	17
Current Assets	525	514
Current Liabilities	<u>(523)</u>	<u>(518)</u>
Net Assets	<u>13</u>	<u>13</u>
	2007	2006
	£000	£000
Share Capital	0	0
Reserves	13	13
Net Assets	<u>13</u>	<u>13</u>

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20. Financial commitments

At 31 March 2007 the Collection had annual commitments under non-cancellable operating leases for equipment as follows:

	2007 £000	2006 £000
Between one and two years	0	1
Between two and five years	2	2
After five years	15	2
	<u>17</u>	<u>5</u>

There were no contingent liabilities at the balance sheet date.

21. Financial Instruments:

FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Collection faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet have been omitted from this note.

Liquidity Risk

– The majority of income (i.e. 57%) is received by way of Grant in Aid. The remainder of operational costs must be financed by self-generated income which is volatile. This risk is managed through the Collection's policy to maintain general and designated funds and is reviewed periodically.

Foreign Currency Risk

The Collection does not undertake foreign currency transactions

Interest Rate Risk

The Collection has no borrowings and all cash deposits are for terms of less than three months, consequently there is no exposure to interest rate risk.

22. Capital commitments

At 31 March 2007 capital expenditure commitments were as follows:

	2007 £000	2006 £000
Authorised by the Trustees and contracted for	<u>44</u>	<u>1,312</u>

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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. As at year-end £46,250 was owed to the Wallace Collection from the joint DCMS/DfES Strategic Commissioning Fund. This was paid shortly after year-end.

None of the Trustees, members of the key management staff or other related parties have undertaken any material transactions with the Wallace Collection, other than Sir John Ritblat who has donated £56,318 in year towards various aims.

24. Post Balance Sheet Events

There were no significant events after the year end.

The accounts were authorised for issue on 12th July 2007 by the Accounting Officer.



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