

The Wallace Collection
Annual Report and Accounts 2017-18

HC 1339

The Wallace Collection Annual Report and Accounts 2017-18

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The Wallace Collection Annual Report and Accounts 2017-18

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Annual Report and Trustees' Report

Objectives and Achievements

Background/introductory information

The Wallace Collection was formed by four generations of Marquesses of Hertford and by Sir Richard Wallace (the illegitimate son of the fourth Marquess), between the 1780s and the 1880s. Since the 1870s the collections have been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. It was bequeathed to the nation by Lady Wallace in 1897 and opened to the public on 22 June 1900. Admission to the museum is free.

A Treasury Minute of 28 July 1897 appointed the first Board of Trustees, which acts on the authority of a Declaration of Trust dated 27 July 1899, and of the Museums and Galleries Act 1992, which specifies the Board's general function to maintain, exhibit and grant access to, and promote public understanding and enjoyment of the Collection. Responsibility for Government financing of the Wallace Collection rests with the Secretary of State for Digital, Culture, Media and Sport, from whom the museum receives a Grant-in-Aid out of monies provided by Parliament. The museum is a Non-Departmental Public Body sponsored by the Department for Digital, Culture, Media and Sport (DCMS). It is a charity exempt from registration under the Charities Act 2011. It has a wholly-owned subsidiary, Hertford House Marketing Limited, whose results are consolidated with the Wallace Collection's results for the purpose of these accounts.

The museum contains Old Master paintings, miniatures, sculpture, French furniture, porcelain and goldsmiths' work, European, African and Asian arms and armour, and medieval and Renaissance works of art. All are of the highest quality and of international importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally outstanding. Lady Wallace's bequest stipulated that the collection should be preserved as a national museum 'and shall be kept together unmixed with other works of art'. This has traditionally been understood to mean that the Collection cannot be added to and cannot lend.

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

Pictures (paintings, watercolours, drawings and etchings)	777
Miniatures	317
Furniture	525
Sculpture	481
European Arms and Armour	1,342
Oriental Arms and Armour	1,057
Asian and African Art	98
Porcelain	287
Earthenware	203
Glass	59
Limoges enamels	29
Gold boxes	89
Works of Art	341
Manuscript cuttings	32

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These objects (5,637 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. They are housed in twenty-seven rooms and galleries on the ground and first floors, with an additional Temporary Exhibition Gallery, Visitors' Library, Lecture Theatre, Meeting Room and Education Studio on the lower ground floor.

The Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to its permanent collection. Objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection. The Library and archives, held in addition to the collection, are continually updated and are an excellent source of material to enable study of eighteenth-century French art, European princely arms and armour, and French and British collecting between 1700 and 1900. There is also a handling collection of objects used for teaching and demonstration.

The financial year under review is the first full year of Xavier Bray's tenure as Director of the Collection. This is a year that has seen visitor numbers increase by 10%, the staging of two successful temporary exhibitions, stronger than expected financial outcome, a strengthening of the management team and, thanks to additional DCMS support, significant improvements to the Collection's behind-the-scenes infrastructure and sustainability – including the security systems, fire safety, environmental controls/air handling plant and installation of solar panels.

Importantly the year has also seen the publishing of the Mendoza Museum Review alongside the strategic review of DCMS-sponsored National Museums. These documents have fortuitously coincided with the Collection's own strategic review. Consequently the Collection has reviewed at some length both its objectives (set out in the following section of this report) and forward planning, resulting in a new three-year plan being put in place.

It is noteworthy that the objectives of the Collection address and resonate with many of the recommendations in both the Mendoza and DCMS National Museums reviews. Subsequently DCMS has recently published its single departmental plan, and the Collection's plans will contribute to areas quoted e.g. tourism, increasing participation in arts and culture and promoting digital skills and inclusion.

Aims, Objectives and Priorities

The 1992 Museums and Galleries Act sets the overall statutory objectives for the Wallace Collection. Its wording is as follows:

“(4) so far as practicable and subject to the provisions of this Act, the Wallace Collection Board shall maintain the collection of objects known as the Wallace Collection and shall

- (a) care for and preserve the objects in their collection;
- (b) secure that the objects are exhibited to the public;
- (c) secure that the objects are available to persons seeking to inspect them in connection with study or research; and
- (d) generally promote the public's enjoyment and understanding of fine and applied art both by means of the Board's collection and by such other means as they consider appropriate.”

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

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

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

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

These objectives and priorities provide the main structure of the annual report.

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Achievements and Performance

Broadening and deepening visitor engagement

2017/18 has seen visitor numbers increase by 10% on the 2016/17 figure, reaching a total of 463,284 – the highest annual figure recorded in the Collection’s 118 year history. This represents a significant achievement, particularly when other institutions have seen a decrease in their annual visitor numbers.

Two exhibitions staged during the year have contributed to this success: *Gilded Interiors: French Masterpieces of Gilt Bronze* attracted over 15,000 visitors and *El Greco to Goya: Spanish Masterpieces from the Bowes Museum* attracted nearly 38,000 visitors, but several other factors also contributed to the increase. The association that the Collection has with the making and broadcast of Sky Art’s *Portrait Artist of the Year* series reaches an audience well in excess of 1m viewers for each of the eight programmes in the series, which increases the Collection’s profile and inevitably encourages new visitors.

The Museum’s Communications team has secured excellent coverage with substantial features in *The Times*, *The Guardian*, *The Daily Telegraph* and has been selected as critics’ choice in *The Financial Times*, *The Sunday Times* and *The Observer*. The Museum also hosted a live BBC Radio 3 broadcast of the popular drive-time *In Tune* programme and Xavier Bray, the Collection’s Director, featured on Michael Berkeley’s BBC Radio 3 *Private Passions*.

Social media plays an increasingly important role in the profile and reputation of the Collection and this year has seen the combined total of Twitter, Facebook and Instagram followers increasing by 20% on last year’s figure.

Complementing the work of the Communications team, the Collection’s Education and Community department runs an extensive programme engaging with a broad and diverse range of participants. Through these varied activities, workshops, lectures, tours, talks, classes and courses (totaling 1,682 events/sessions) 33,737 participants have interacted with the Collection during the year.

A few examples of the high-quality programme include:

- The annual Takeover Day when the children of the nearby St. Vincent’s school ‘run’ the museum. Seeing the Collection through the eyes of children is always refreshing. The enthusiasm of the school and the children involved results in a learning experience that not only stimulates interest in the paintings and art works but also develops personal skills and knowledge.
- Working with Ealing Deaf Women’s Group running a printing workshop with artist Caroline Dorset and welcoming a newly formed adult group with Special Educational Needs (SEN) – Tower Project from Hackney to the Museum.
- Outreach sessions with Wandsworth CAMHS (Child and Adolescent Mental Health Services) unit running creative workshops for profoundly deaf children and young people. This project includes working with hospital schools and CAMHS units, and also working directly on wards at the bedsides of long term sick and elderly patients.
- Members of our Young Curators programme worked with Chocolate Films to write, produce and star in ‘Our Favourite Things: A Tour of the Wallace Collection’. This was a re-imagining of one of their excellent public tours which they give once a term.

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- Jalaludien Azizi, aged sixteen and recently arrived unaccompanied from Afghanistan, delivered the Collection's first Outset Teen Tour. This programme, delivered with support from The Photographers Gallery, allows young people who may otherwise never get the chance, to work directly with museum staff to research and deliver tours to the public. The programme helps develop confidence and public speaking skills, as well as changing the perceptions of the public about the capabilities of young people. Jalal spoke about Poussin's *A Dance to the Music of Time*, the Boulle 'Four Continents' clock and a Gothic equestrian horse armour.
- Wallace Youth, supported by Lloyds Bank, ran a large-scale and highly popular "Friday Late" event for young people that linked to the *El Greco to Goya* exhibition. The after-hours event included guided tours of the exhibition, Spanish flamenco dancing, various practical art workshops and live music.
- The annual LGBTQI (Lesbian, Gay, Bisexual, Transgender, Queer, Intersex) "Late", supported by Morgan Stanley, attracted a capacity audience and, the Collection received overwhelmingly positive feedback.
- The EU funded and internationally collaborative ARCHES (Accessible Resources for Cultural Heritage Ecosystems) project has continued to research, explore and develop innovative technologies that will make museum and gallery visits possible and more enjoyable for people with disabilities and learning difficulties. The outcomes of the first pilot projects will be shared in autumn 2018.
- The presentation of live music performances at the Collection continues to attract new audiences, notably to the annual musical residency in collaboration with the City Music Foundation. Each lunchtime a different musician or musical ensemble performed in the magnificent surroundings of the Great Gallery. Artists included Tabea Debus, Mihai Ritivoiu, Emma Halnan, Alexander Soares and the Ligeti Quartet. These free concerts were a great success with a full house of one hundred visitors attending each day.

The Museum also enjoyed an extremely positive response from the recital by mezzo-soprano Clara Mouriz and pianist Iain Burnside, with an excellently chosen programme of Spanish songs, featuring works by Granados and de Falla which captivated the audience and linked perfectly to the *El Greco to Goya* exhibition.

Maintaining and preserving the Collection for future generations

The year has seen progress in several aspects of the Collection's work. A major upgrade and replacement programme to the air handling units/chillers and building management system has been completed thanks to support from DCMS. This has addressed long-standing issues and problems with environmental controls within Hertford House. These improvements will allow us to maintain the temperature and relative humidity within recommended parameters whilst also reducing energy consumption. The risk of damage to paintings and artwork through temperature and humidity fluctuations has been addressed through this project.

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Significant improvements have been made to the lighting in the Back State Room and the East Galleries, with assistance from DCMS/Wolfson Foundation and a private donor. This has transformed the presentation of the paintings in these rooms/galleries and with the new LED technology has reduced energy consumption and removed “hotspots” in the lighting design.

Paintings and works-of-art condition-checking surveys, in compliance with the Collection’s Museum Accreditation status, have been undertaken during the year.

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

- As part of the “Views of Venice “ project, Canaletto’s two large views across the Bacino di San Marco were displayed in the Great Gallery after they returned from eight months of conservation treatment. They were enthusiastically received by visitors who enjoyed viewing them in the Great Gallery among the Wallace Collection’s other great pendants by Van Dyck and Rembrandt. Five smaller *vedute* paintings by followers of Canaletto have also been conserved.
- Other paintings that have been cleaned and conserved include: After Rubens, *The Crucifixion*; After Nattier, *Marie Leszczyńska, Queen of France*; Velazquez, *Infanta Margarita Maria*; Ascribed to Gutierrez, *Assumption of the Virgin* and Allart van Everdingen, *Landscape with Waterfall*; Landseer, *The Arab Tent*.
- In addition 12 miniatures and three manuscript cuttings were treated/conserved in response to the Miniatures & Manuscript survey undertaken in 2017.
- The restoration of a William Kent (English furniture designer and maker) chair was completed. This important chair, believed to have been made for the Duke of Devonshire at Chiswick Villa, is one of a set, four of which remain at Chatsworth. The chair had been off display for decades and in a very poor and deteriorated state. It is now completely restored to its former glory and back on display and testament to the skills and techniques employed by the Collection’s Conservation department.
- The cataloguing of the Hertford Wallace family papers has been completed and this material is now being added to Museum Plus and being repackaged. It is available for researchers to coincide with the opening of the exhibition in June 2018 to mark the 200 year anniversary of Sir Richard Wallace’s birth.

The Wallace Collection publications for the year are:

- *François Boucher: Sociability, Mondanité and the Academy in the Age of Louis XV*, edited by Christoph Vogtherr and Leda Consentino (Mosaic Press, 2017)
- Helen Jacobsen, *Gilded Interiors. Parisian Luxury and the Antique* (Philip Wilson Publishing, May 2017)
- Capwell, Tobias, *Review*, Ward, Matthew, *The Livery Collar in Late Medieval England and Wales: Politics, Identity and Affinity, Church Monuments*, 31 (2016).

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- Langelüddecke, Laura, Neuerscheinungen zu Karoline Luise von Baden-Durlach (1723-1783), review in *sehpunkte*, 17 (2017), Nr. 9,
- *El Greco to Goya: Spanish Masterpieces at the Bowes Museum*, London: The Wallace Collection, 2017.
- Lucy Davis, 'Famous women in the miniatures at the Wallace Collection,' in *Portrait Miniatures: Artists, Functions and Collections*, eds, B. papper, J. Schmieglitz-Otten, Petersberg: Michael Imhof Verlag, 2018. pp. 108-121.
- Suzanne Higgott, 'All-glass hybrids: Why they were made and the importance of identifying them', *Annales du 20^e Congrès de l'Association Internationale pour l'Histoire du Verre, Fribourg/Romont 7-11 septembre 2015*, Romont 2017, pp. 453-9
- Lelia Packer and Jennifer Sliwka, *Monochrome: Painting in Black and White*, exh. cat. The National Gallery, Yale University Press, 2017.
- Capwell, Tobias, *Arms and Armour of the Medieval Joust* (Leeds: Royal Armouries, 2018), 96pp.
- Capwell, Tobias, 'Armed for Eternity Part II: Further Notes on Knightly Swords Illustrated on English Funerary Monuments, c. 1450-1500', *Catalogue of the Olympia Arms Fair*, 2 (April 2018).
- Jacobsen, Helen, 'Magnificent Display: European Ambassadorial Visitors to Versailles', in *Visitors to Versailles from Louis XIV to the French Revolution*, ed. Danielle O. Kisluk-Grosheide and Bertrand Rondot, ex. cat., (Metropolitan Museum of Art, New York)

Supporting excellence in curatorial research

2017/18 research energies have been focused on four key projects:

- Throughout 2018 the Collection will celebrate the 200th anniversary of Sir Richard Wallace's birth. In preparation for the various events planned a major project, led by Suzanne Higgott, has been undertaken that has questioned and examined the Hertford/Wallace family history, Wallace's commitment to philanthropy and his tastes, preferences and criteria for collecting art. The showcase for this research is an exhibition which opened in June 2018 *Sir Richard Wallace: The Collector*, together with the publication of a book about Wallace.
- The ongoing major research project examining and analysing the work of the eighteenth-century French royal cabinet-maker Jean-Henri Riesener benefitted this year with Senior Curator, Helen Jacobsen, being awarded a prestigious Research Scholarship to the Getty Museum to study Riesener and French eighteenth-century furniture. This has given the project additional momentum and established further international links, notably with the Louvre. The project,

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which will cover Riesener's work in Waddesdon Manor and the Royal Collection in addition to the Wallace Collection, will culminate in a joint publication and a major exhibition, provisionally planned for 2020.

- Under the leadership of Tobias Capwell, the Ottoman, Middle Eastern and Asian Arms and Armour project has also progressed well during the year. The catalogue entry-writing phase is almost complete and the next stage of editing and preparation for publication will begin imminently. Initial research and consideration of a redisplay for this section of the armouries has begun.
- The ground-breaking work of Alan Williams and David Edge in the field of metal analysis continues apace and increasingly is establishing the Collection as a world leader in this research as indicated by Alan Williams's appointment as a member of the Scientific Council for "Acta Militaria Medievalia", an annual journal published jointly by the Universities of Krakow, Rzeszow and Sanok in Poland. The Department's specialised knowledge and advice has been sought from as far afield as New York and Ukraine. Future collaborative projects with both the Royal Armoury in Madrid and the Hofjagd- und Rüstammer (Imperial Armoury) in Vienna are under discussion.

Similarly the neutron-diffraction analysis of Eastern and European arms and armour both at HZB in Berlin and on INES at ISIS (part of the Rutherford Appleton Laboratory at Harwell) is attracting attention amongst metal conservators. Work at the latter this year has included comparative analysis between the helm of the Black Prince from Canterbury Cathedral, the helm of Henry V in Westminster Cathedral and a helm in the Wallace Collection dating from the same period. Early indications are that the Wallace helm is metallurgically superior to both of the 'royal' helms triggering reconsideration of the provenance of the Wallace Collection helm.

This area of research has led to various papers being published:

- "Combined application of imaging techniques for the characterization and authentication of ancient weapons", Filomena Salvemini, Francesco Grazi, Nikolay Kardjilov, Frank Wieder, Ingo Manke, David Edge, Alan Williams, Marco Zoppi, in *The European Physical Journal Plus*, online 24 May 2017, pp. 132-228 (Eur. Phys. J. Plus (2017) 132: 228, DOI: 10.1140/epjp/i2017-11496-6)
- Alan Williams, 'Multi-role breastplates', *Waffen- und Kostumkunde*, 59 (2017) 51-60
- 'Some observations on early Chinese bronze swords', Anthony Dove and Alan Williams, *Journal of the Arms and Armour Society*, Volume XXII, No. 4, 2017, p.198-209

In addition to these four areas of research the Collection has begun a new project led by Ada de Wit and supported by Natalie Zimmer. They have established a research group, assisted by eight volunteers to research works of art. This part of the Collection has been neglected and little studied. Only 60 of the 558 works of art are available online. Although in its infancy, this is likely to grow into a major project that will be instrumental in determining the future knowledge, interpretation and displays in the 'Renaissance' galleries.

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The importance of the paintings in the Wallace Collection is demonstrated by an invitation from the National Gallery for the Collection to participate in a technical study of all six of Titian's magnificent mythological paintings made for King Philip II between 1551 and 1562, known as the *poesie* series. The paintings concerned are the Wallace Collection's *Perseus and Andromeda* (P11), the *Venus and Adonis* from the Prado, the *Danaë* from the Wellington Collection, the *Diana and Actaeon* and the *Diana and Callisto*, jointly owned by the National Gallery and the National Galleries of Scotland and the *Rape of Europa* at the Isabella Stewart Gardner Museum.

All of the participating institutions will undertake the most up-to-date technical and scientific research on their paintings and will share their findings in order to understand better Titian's painting technique. The results will be published in a new catalogue published by the National Gallery Company.

Connecting with new audiences through an enhanced digital presence

The importance of bringing the Collection to life through a new presence digitally online has led to various initiatives being introduced in the past year. The redevelopment of the Wallace Collection website has been a priority. In particular, there is a need to provide an e-commerce functionality to support online ticket sales, an increasing online retail offer, plus online membership purchases and donations.

A brief was drawn up, with support and advice from Trustees, and nine agencies were invited to tender for the project. All the agencies approached submitted proposals for the redevelopment of the site and three of these were invited to interview. Following a competitive interview process, Numiko were appointed to undertake the project, whose most recent work includes the redesign of the Science Museum website. The project went live on schedule in June 2018.

In September 2017, the Smartify app was launched at the Wallace Collection, which enables visitors to scan works of art using their mobile phone and download additional information about the artwork. Initially this is available only for use with the Collection's paintings; however work is in progress to digitise 3D objects for use with the app. Feedback from visitors regarding Smartify has been positive, and the Collection will continue to explore the possibilities of the app, including adding audio content.

Whilst the Communications department has taken the lead on digital projects, other departments are increasingly engaging and trialing projects. Two fencing manuals from the Howard de Walden Collection owned by the Wallace Collection have been selected for digitisation at the British Library. Both are rare and fragile items so far not available in electronic format. Their digitisation will make them visible to a wider audience and help preserve the originals. The electronic versions will hopefully be made available online in the next financial year via specialist software known as 'Turning the Pages'.

The ongoing work to have a digital image of every item in the Collection continues and making this increasingly available online is a priority for the Collection. A new photographic studio to assist in this endeavour has been created.

Social media is an important part of our digital engagement with our existing audience and an important tool in reaching new, and often younger audiences. The combined total of followers across the three platforms of Twitter, Facebook and Instagram reached 168,583 by the end of March 2018. This represents an increase of 20% on the figures at March 2017. The predominant reason for the increase was due to Instagram, growing from 30,000 to 50,000 followers in the year.

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During the year the Collection has developed its IT strategy, notably including Cyber Essentials Plus accreditation.

Laying a strong financial foundation for the future

The Grant-in-Aid received from DCMS is of great importance in helping the Collection create and maintain a strong financial foundation. However, to realise our ambitions and objectives, the Museum needs to simultaneously continue to increase and diversify self-generated income and 2017/18 has been a successful year in this regard.

In addition to reaching their revenue target, the Collection's Development team notably raised the £1.2m required for the new exhibition space within a very short period of time.

As a result of a benchmarking exercise with other national museums and in response to Benefactor feedback, a new Benefactors scheme was launched and it is anticipated that it will yield greater revenue in the long-term.

Benefactors and Friends events continue to play an important part in building a relationship with individuals and in providing greater engagement with the Wallace Collection and other galleries and museum than would otherwise be possible. The popularity of these events is growing and include early morning private tours, an 'open house' in collaboration with Garsington Opera or an evening looking at rare books in the Collection's library.

2017/18 was a successful year for the Events department. The success was in part the result of an increase in the number of evening events but was principally due to the overall increase in the value of each event in terms of revenue generated. The main factor driving this increase is the popularity of the Great Gallery which generates the highest fees for both receptions and dinners. Recognising that the corporate Events market in London is very competitive, the Events team continues with its efforts to diversify its client base.

The Retail operation has experienced a challenging year; however this should be seen in the context of the tough environment faced by the wider retail sector. Online sales have continued to grow year on year for the third year in a row, and it is hoped that the new website will encourage more visitors to shop online.

Embarking upon a capital investment programme to transform visitor experience

Thanks to the Collection's own fundraising success and DCMS support the year has seen significant capital investment. The upgrades, replacements and improvements to environmental controls, security infrastructure and the installation of photovoltaics are largely unseen, but are nevertheless important not only in safeguarding the collection but also in providing a comfortable and safe experience for visitors.

The new temporary exhibition gallery which opened in June is highly visible. It marks a step change for the Collection with a revitalised commitment to implementing an ongoing exhibitions programme. This is a clear statement of intent and tangible evidence of the beginning of delivery against the new three-year strategic plan.

Inevitably operating in a heritage listed building brings challenges, particularly when facing increasing pressure on physical space. Recent years have seen major refurbishment projects of the first floor rooms and galleries of Hertford House but little has been done to rationalise the use of space on the ground and lower ground levels. With visitor numbers increasing, more demand for education and community activities, the

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need to develop corporate and private event hires, pressure on facilities, together with a long overdue refurbishment of the neglected ground floor rooms and galleries, the need to develop a cohesive masterplan and investment programme is paramount if the Collection is to meet its own objectives and the expectations of visitors, funders, supporters and donors.

The Collection's Senior Management Team has embarked on the process of developing a range of options for future capital investment in accordance with the Collection's stated objectives.

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Financial Review

Financial results

The largest source of income was Grant-in-Aid from the Department for Digital, Culture, Media and Sport. Including the additional £1m for Capital projects this was £3.711m (2016-17: £2.711m) which represented 47% of the group's non-endowment income for the year (2016-17: 43%).

Other donations reached £2.416m, an increase on the previous year's total of £1.897m. This year the Collection raised £1.2m for the new exhibition space, however, prior year donations include £570,000 pro bono consultancy support and £272,000 raised from a Gala dinner; there were no similar donations this year.

Trading income increased to £1.409m from £1.367m in 2016-17, largely due to a strong performance by the Collection's Events department.

Expenditure decreased from £6.932m in 2016-17 to £6.825m. The main reason for the slight decrease was the receipt of pro bono support of £570,000 in 2016-17 for which there is no comparable transaction this year. (This support is offset by the inclusion of a pro bono donation of an equal amount in income and the net effect on the result for the year is £nil.).

The museum launched an endowment fund in 2015-16 and continued to build the fund in 2017-18 with further donations of £1.054m. The endowment is a permanent one from which the museum can use the income to support its unrestricted and restricted activities.

Investment policy and objectives

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

Two investment fund managers, Rathbone Investment Management Limited and Troy Asset Management Limited, were appointed in 2015-16 and continued to manage the funds during this year.

The total return on the portfolio for the year to March 2018 was 2.23%. The income return was 3.8% and the capital return was 1.21%. The total return underperformed the target of UK RPI plus 3% which was 6.44% in 2017-18. The 12 month income yield to March 2018 was 3.6%, which exceeded the income yield target of 3%.

Financial risks

The key financial risks to the museum continue to be maintaining and increasing income to cover the relatively high costs of maintaining an historic listed building with the infrastructure needed for the Collection and funding properly the objectives of the museum.

Reserves policy

The reserves policy agreed by the Trustees is to hold unrestricted and undesignated reserves of between one and three months' expenditure with a target of three month's expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at 31 March 2018 of £1.303m (2016-17: £1.636m) represents cover of just under three months budgeted expenditure.

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

Payment of creditors

During 2017–18, the Wallace Collection paid 89% of undisputed creditors within 30 days of receipt of an invoice (2016–17: 89%).

Performance

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

		2017-18	2016-17
Key performance indicators:			
	Number of visits to the museum	463,284	419,202
	Charitable giving (fundraising)	£3,470,000	£4,230,000
Other performance indicators:			
Access			
	Number of unique website visits	632,656	610,053
Audience profile			
	Number of visits by children under 16	20,370	21,687
	Number of overseas visits	186,240	167,302
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	8,910	10,374
	Number of instances of visitors under 18 participating in on site organised activities	11,980	11,578
Visitor satisfaction			
	% of visitors who would recommend a visit	91	91
	% of visitors who were very satisfied with their visit	90	91
Self generated income			
	Trading income (net profit)	£521,000	£525,000

Sources of data

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

Visitor numbers are collected through an electronic counting device at the visitor entrance. Child visits are collected by a manual counting system. Education numbers are kept by the Education department for the sessions that they run. The website registers the number of visitors to our site. Visitor recommendation and satisfaction percentages are taken from visitor surveys carried out by an independent company. Net income from trading is taken from the accounts of our trading company, Hertford House Marketing Limited. All of these sources help the museum to monitor and report on its performance to DCMS.

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

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of HM Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992. The accounts are compliant with the Charities SORP 2015, Financial Reporting Standard 102, Charities Act 2011, Government Financial Reporting Manual and with Charity Commission guidance.

The consolidated accounts are for the Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Wallace Collection Foundation (formerly the Hertford House Trust) and the Wallace Collection in America Inc, as these are entirely separate organisations over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection's consolidated accounts for the year 2017-18. The audit fee in respect of this work was £22,000. Other than the statutory audits of the Wallace Collection and Hertford House Marketing Limited, and an internal audit service, no other accountancy or audit services were commissioned or undertaken in the year. External auditors are engaged for the trading subsidiary audit and internal audit services.

Fundraising Regulator

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

Staff and organisation

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

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations became effective in April 2017 and they require the Collection to publish information on Union facility time. The PCS (Public and Commercial Services) union is recognised by the Collection and there are four members of staff who were relevant union officials throughout the year (FTE: 4). All four of these relevant union officials spent between 1-50% of their working hours on facility time. The total cost of this facility time (£1,189) represents 0.04% of the total wage bill for the Collection (£3.361m). Time spent on paid trade union activities as a percentage of total paid facility time hours is 0%.

Sickness absence

Sickness absence accounted for 3.85% of all staff time during 2017–18 (2016–17: 3.74%), or 9.74 days per

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staff member (2016–17: 9.46 days). The management of sickness absence is a priority during the coming year.

Sustainability

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

Dr Xavier Bray
Director and Accounting Officer

9 July 2018

António Horta-Osório
Chairman

9 July 2018

The Wallace Collection Annual Report and Accounts 2017-18

Remuneration Report

The figures in the remuneration report are subject to audit.

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the museum. These members of staff constitute the Senior Management Team (Annex A), however, executive authority over the decisions of the museum as a whole remains in the hands of the Director, guided by the Chairman and Board of Trustees. The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2016-17: £Nil). The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team.

	Salary		Bonus		Pension benefits		Total	
	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000
Dr Xavier Bray Director	90-95	35-40 (Full year 85-90)	10-15	-	36	15	135-140	50-55
Derek Purnell Chief Operating Officer	65-70	60-65	-	-	-	-	65-70	60-65
Sarah Harmer Director of Development	70-75	65-70	-	-	-	-	70-75	65-70
Melanie Newlands Director of Finance and Commerce (from 2 January 2018)	10-15 (Full Year 60- 65)	-	-	-	6	-	20-25	-
David Edgar Director of Finance and Operations (until 9 October 2017)	30-35 (Full Year 60- 65)	60-65	-	-	17	24	45-50	85-90
Dr Christoph Vogtherr Director (until 30 September 2016)		40-45 (Full year 85-90)		10-15	-	19	-	75-80

Following the departure of David Edgar as Director of Finance and Operations and before the arrival of Melanie Newlands, the new Director of Finance and Commerce, the services of an Interim Finance Director were provided pro bono by Lloyds Banking Group. These donated services have been valued at £37,000 in the accounts.

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

Total remuneration includes salary, performance related pay, and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

No redundancy, severance or compensation payments were made to senior managers during 2017-18.

No senior managers were employed through an agency in 2017-18.

Sarah Harmer and Derek Purnell chose not to be covered by the Civil Service pension arrangements during the reporting year or the previous year. Both were members of the partnership pension account, which is a

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stakeholder pension arrangement provided by Scottish Widows. Details of the scheme are included in the ‘pension benefits’ section below.

	Accrued pension at pension age as at 31 March 2018 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2018 £000	Cash equivalent transfer value at 31 March 2017 £000	Real increase in CETV £000
Dr Xavier Bray Director	0-5	0-2.5	29	8	14
David Edgar Director of Finance and Operations (until 9 October 2017)	0-5	0-2.5	63	39	9
Melanie Newlands Director of Finance and Commerce (from 2 January 2018)	0-5	0-2.5	3	-	2

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

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

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

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

The banded remuneration of the Director in post at the end of the financial year was £100,000 to £105,000 (2016–17: £85,000-90,000). This was 4.81 times the median remuneration of the workforce (2016–17: 4.29 times). The median total remuneration of the workforce in the current financial year was £21,294 (2016–17: £20,402). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. The change in banded remuneration between years arises mainly from the payment of a bonus during the year to the Director. This change is the primary reason for the increase in the multiple of median remuneration represented by the Director’s remuneration.

The Director’s performance-related bonus of up to 15% of salary is decided by the Remuneration Committee, which consists of the Chairman, plus the Trustee members of the audit committee (Annex A),

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and is based on the restrictions of the Director's contract and against achievement of annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated.

The current Director's contract commenced in October 2016 and is open ended, with a notice period of thirteen weeks. The other senior managers are on permanent contracts with three-month notice periods.

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

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short-term projects are employed on contracts which match the duration of the projects concerned. Staff are paid according to the nature of the role they perform and each job is graded and included in one of eleven salary bands. There were no redundancies or off-payroll arrangements during the year.

Pension benefits

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3.5% and 8.05% of pensionable earnings for classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but

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where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of the pension may be payable from different ages.)

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

Dr Xavier Bray
Director and Accounting Officer

9 July 2018

António Horta-Osório
Chairman

9 July 2018

The Wallace Collection Annual Report and Accounts 2017-18

Statement of Trustees' and Accounting Officer's Responsibilities

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

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

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

The Accounting Officer for the Department for Digital, Culture, Media and Sport has designated the Director as the Accounting Officer for the Collection. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding the Wallace Collection's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by HM Treasury and published in Managing Public Money.

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

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

Dr. Xavier Bray
Director and Accounting Officer

9 July 2018

António Horta-Osório
Chairman

9 July 2018

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

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Governance Statement

The Wallace Collection is governed by a Declaration of Trust dated 27 July 1899, and the Museums and Galleries Act 1992. The Wallace Collection is a non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport (DCMS), and is a charity exempt from registration under the Charities Act 2011. As an exempt charity, it is regulated by DCMS, rather than the Charity Commission.

The Wallace Collection is governed by a Board of Trustees answerable to the Secretary of State for Digital, Culture, Media and Sport. The Minister is, in turn, answerable to Parliament. The Director of the Wallace Collection is accountable both to the Board as Chief Executive and to DCMS permanent secretary (as DCMS accounting officer) as Accounting Officer. Further detail is given in the Statement of Trustees' and Accounting Officer's Responsibilities above.

The Board of Trustees

The Board of Trustees of the Wallace Collection is responsible for the overall management and direction of the Wallace Collection. The Director of the Wallace Collection is responsible to the Board of Trustees and is accountable to DCMS permanent secretary for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the Museums and Galleries Act 1992, the role of the Trustees is generally concerned with policy and strategy, leaving operational issues to the Director. The Board is chiefly responsible for:

- The setting of key strategic objectives;
- Reviewing overall performance;
- Appointing the Director (in consultation with the Prime Minister);
- Endorsing appointments to key management positions;
- Considering the remuneration of senior staff.

There are two sub committees of the Board, the Audit Committee and Investment Committee.

The Board of Trustees meets not less than four times a year, as does the Audit Committee, and details of attendance are shown at Annex A. The Audit Committee, together with the Chairman, fulfil the role of a Remuneration Committee. Other committees on which Trustees are invited to serve include the International Council (concerned with fundraising). The Investment Committee was created following the setting up of the Endowment Fund and meets as necessary to appoint investment managers and review the performance of the investment funds and managers. It receives professional advice in support of its work.

Both the main Board and the Audit Committee receive detailed reports ahead of each meeting compiled by the Director and his staff. These reports cover every aspect of Wallace Collection work over the previous quarter, and form a useful basis for Trustee discussions. The Trustees are happy with the quality and layout of these reports and provide feedback to ensure that they remain an excellent source of information and data.

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

Board effectiveness

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

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Wallace Collection Staff

The Director is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining the values of the Wallace Collection. He is assisted by the other members of the Senior Management Team who are the Chief Operating Officer, Director of Finance and Commerce, and Director of Fundraising. Each is supported by a number of department heads who are responsible for specific areas of activity within the museum. The Senior Management Team meets weekly and there is a monthly full staff meeting. The Director meets each member of the Senior Management Team on a regular basis. In this way the Director can satisfy himself that he is informed on all operational issues in order that he can report to the Board of Trustees.

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2018, there were twelve in post (Annex A). Following a competitive process, and consultation with other Trustees and with the Director, the Chairman recommends nominees (no fewer than two for each Trusteeship at a time) to DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

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

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

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

Compliance with Corporate Governance Code

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

Report from Audit Committee

The Audit Committee is responsible for reviewing the museum's key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report and Accounts. The Committee reports on its work at each Board meeting. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2016-17 and on planning for the 2017-18 audit. The internal auditor reported to the Committee on his findings and was able to provide the Committee and Trustees with significant assurance that the Collection generally has good controls. The risk register was received and reviewed in its entirety during the course of the year.

Report from Investment Committee

The Investment Committee kept the performance of the fund managers that it had appointed in 2016-17

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under review. In carrying out its work, it received professional advice from investment advisors.

Risk

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the museum is therefore to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk (“The Orange Book”) with reference as appropriate to best practice guidance from the National Audit Office and risk management standards. The museum assesses risk through consideration of the likelihood of something happening, and the impact that would arise if the risk were actually to occur.

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

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

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

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

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

The key risk priorities of the Wallace Collection in 2017–18 have continued to be:

- Managing the impact of increasing visitor numbers whilst improving their understanding of the Collection;
- Planning for the future in a challenging funding environment;
- Increasing self generated income without increasing the risk to the fabric of the building or to the mission of the museum;
- Guaranteeing the scholarly quality of the museum’s activities and improving its international position under severe financial constraints;
- Securing the Collections and protecting them from theft and damage; and
- Keeping the precarious balance between financial constraint, increasing pressure to expand services and maintaining and improving the fabric of a Grade II listed building.

Both the Board of Trustees and the Audit Committee play a key role in the monitoring of these risks and the internal controls in place to mitigate them.

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The Board brings wide-ranging experience and a fresh perspective to key decision-making discussions, and all key issues are brought to the Trustee Board's notice for discussion and ratification. The Audit Committee supports the main Trustee Board and the Accounting Officer by questioning senior management and the internal and external audit functions to satisfy themselves that the Wallace Collection has an adequate system of internal control in order to adequately manage key risks. It has done this by inviting designated responsible risk holders within the museum to report on their work on a regular basis, and has also received substantial assurance from the Internal Auditor that the internal controls in place are sound.

The Board consider this to be an effective risk management strategy, and is confident that the Wallace Collection is successfully managing the key risk priorities noted above.

Whistleblowing Arrangements

The Collection upholds the core values detailed in the code of Professional Ethics of the Museums Association and actively promotes their implementation. In line with these commitments, the Collection encourages employees and others with serious concerns on any aspect of the Collections to come forward and voice those concerns, and expects its managers to encourage employees to express their views openly. This is clearly documented in the Whistleblowing section of the Staff handbook.

Data quality

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

Data handling

The Wallace Collection has suffered no protected personal data incident during 2017–18 or prior years and has made no such report to the Information Commissioner's office.

Dr Xavier Bray
Director and Accounting Officer

9 July 2018

António Horta-Osório
Chairman

9 July 2018

The Wallace Collection Annual Report and Accounts 2017-18

Annex A - Trustees

The Trustees of the Wallace Collection are appointed by the Prime Minister. The members of the Board of Trustees during the year were:

Board Member	Appointed	Further notes	Attendance
António Horta-Osório	January 2015	Chairman	4/4
Dr Ashok Roy	January 2013- reappointed 6 January 2018	-	4/4
Professor Frances Corner OBE	13 September 2009; reappointed 13 September Mandate ended 13 September 2017		2/2
Sir Hugh Roberts GCVO, FSA	6 January 2013 for five years. Mandate ended 31 Dec 2017	-	2/3
Jennifer Eady QC	6 January 2013 - reappointed 7 January 2017	-	4/4
Jessica Pulay	6 January 2013 - reappointed 7 January 2017	Chair of the Audit Committee (4/4)	4/4
Kate de Rothschild Agius	6 January 2013 for five years - reappointed 6 January 2018	-	4/4
Timothy Schroder	6 January 2013 for five years- - reappointed 6 January 2018	-	3/4
Jemima Rellie	9 January 2017	Member of the Audit Committee (4/4)	4/4
Marilyn Berk	9 January 2017	Member of the Audit Committee (4/4)	4/4
Eric Ellul	9 January 2017	Member of the Audit Committee (4/4)	4/4
Dounia Nadar	9 January 2017		4/4

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

Mrs Jane Lewis	appointed January 1998
Mr Pierre Arizzoli-Clementel	appointed August 2007
The Marquess of Hertford DL	appointed July 2008; reappointed January 2015

HRH The Countess of Wessex GCVO	Royal Patron
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The Audit Committee has two external independent members, Jim Close (attendance 3/4) and Martin James (attendance 3/4), in addition to the Trustees who are members.

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

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

Dr Xavier Bray	Director
Sarah Harmer	Director of Development
Derek Purnell	Chief Operating Officer
David Edgar	Director of Finance and Operations (until 9 October 2017)
Jack Waters	Interim Director of Finance (from 25 September 2017 to 14 March 2018)
Melanie Newlands	Director of Finance and Commerce (from 2 January 2018)

Directors of Hertford House Marketing Limited during the year

Dr Xavier Bray
Dr David Edgar (resigned 9 October 2017)
Melanie Newlands (appointed 8 February 2018)

Bankers

Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Auditors

The Wallace Collection
(*Consolidated Accounts*)

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

Hertford House Marketing Limited
(*Trading Company*)

haysmacintyre
24 Red Lion Square
London WC1R 4AG

Investment advisors

LJ Athene Investment Advisors Limited
9 Clifford Street
London W1S 2FT

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

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Annex B - Wallace Collection Endowment Donors and Benefactors 2017–18

The list below gratefully acknowledges all of the Donors to the Wallace Collection Endowment since its inception and all of those who have generously supported the Wallace Collection from 1 April 2017 to 31 March 2018.

Donors to the Wallace Collection Endowment

£1 million and above

The Monument Trust

Seymour-Conway Members (£5,000 per annum)

£500,000 and above

Lionel and Ariane Sauvage

Kate de Rothschild Agius and Marcus Agius
Mrs Nada Bayoud and Mr Andrew Wynn
Marilyn Berk

£100,000 and above

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

Sir Bruce Bossom, Bt.
Dame Vivien Duffield
Hon Simon Eccles
Russell and Irina Jacobs
Lord and Lady Lupton

£10,000 and above

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
The John Armitage Charitable Trust
The Boston Consulting Group
Mr and Mrs Michel David-Weill
The Desmond Foundation
António and Ana Horta-Osório

Mr and Mrs Nadar
Roslyn Packer
Pamela Roditi
Adrian Sassoon
Carolyn Townsend
Jack Verhoeven
Arend and Cecilia Versteegh

Patrons (£1,250 per annum)

and

Aberdeen Asset Management
Lloyds Banking Group
Morgan Stanley
UBS Group AG
Lt Cdr Paul Fletcher
Mr and Mrs Nadar
Mrs Anne Norman
Jessica Pulay
Adrian Sassoon
Arend and Cecilia Versteegh

Julian Agnew
John Armitage Charitable Trust
Mr and Mrs Nick Barton
Mrs Charles H. Brown
Ian Butchoff
Peter and Sally Cadbury
Jessica Cecil
Christie's
Christopher Clarke
Oliver and Cynthia Colman
Rima Connelly
Mrs M. David-Weill
Alexander de Mont
Jolanta Devlin
Ms Jennifer Eady Q.C.
Gillian Eeley
Phil and Lucy Elder
Mary and Symon Elliott

Benefactors of the Wallace Collection

Hertford Circle (£10,000 per annum)

Jake and Hélène Marie Shafran

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Lt. Cdr. Paul Fletcher
Sam Fogg Esq.
Joscelyn Fox
Thomas and Elsebeth Gatacre
John and Patricia Glasswell
Mme Alice Goldet
Mr and Mrs Hambro
Katrín Henkel
Joanna Hewitt
Mr and Mrs Hubbard
Hugh Hudson-Davies
James and Clare Kirkman
David Lawson
The Loveday Charitable Trust
Mrs Annie Mackeson-Sandbach
Richard Mansell-Jones
Clare McKeon
Hugh and Victoria Merrill
Suzie Newman
Sophie and Christopher North
Simon and Midge Palley
The Lord and Lady Phillimore
Charles and Caroline Pridgeon
Jessica Pulay
Mrs R. J. Elliott
Jonathan Refoy

Philip and Sarah Richards
Timothy and Ellen Schroder
Anthony and Jacqueline Todd
Mark and Caroline Van Oss
Bruno Wang
Alan and Sue Warner
Lady Alexander of Weedon

Companions (£600 per annum)

Heather Brindle
David Castles
Charles Cator
Lord Cholmondeley
Miel de Botton
Mr Patrick K. F. Donlea FCA
Giles Ellwood and Philippe Sacerdot
Jennifer Montagu
In memory of the late A V B Nick Norman
Matthew Olley
Christylle Phillips
Dee Singh Datta
Rosa Somerville
Viscountess Bridgeman, The Bridgeman Art
Library
Jane Wainwright
Patricia Wengraf Ltd.

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Annex C - Wallace Collection Other Donors and Supporters 2017–18

Individual Supporters

Christine and Max Ansbacher
Richard and Mara Aylmer
Henrietta, Duchess of Bedford
Marilyn Berk
Bloomberg
Jessica Cecil
José Luis Colomer and the Centro de Estudios
Europa Hispánica
Ms Jennifer Eady Q.C.
Eric and Virginie Ellul
David Pike
Martin Randall Travel Ltd.
Arend and Cecilia Versteegh

Trusts and Foundations

The John Armitage Charitable Trust
The Aurelius Charitable Trust
The BAND Trust
The Barbara Whatmore Charitable Trust
The Belvedere Trust
The Blunt Trust
The Elizabeth Cayzer Charitable Trust
The City Bridge Trust
The DCMS Wolfson Fund
The John S Cohen Foundation
Colnaghi Foundation
The EU Arches Project
The Excel Fund
The Golden Bottle Trust
The Kirby Laing Foundation
The Leche Trust
The Leverhulme Trust
The Linbury Trust
The NJT Foundation
The Ofenheim Charitable Trust
Sir Siegmund Warburg's Voluntary Settlement
The Wallace Collection Foundation
The Garfield Weston Foundation
The Lord Leonard and Lady Estelle Wolfson
Foundation
The Wolfson Foundation

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

Bank of America Merrill Lynch Conservation Fund

Mr and Mrs Frederick W. Beinecke

Michele Beiny Harkins

John Watson and Betsy Blackwell

Ms Susan E. B. Bloomberg

The Deborah Loeb Brice Foundation

Richard Chilton on behalf of Lord Phillimore

Marina Kellen French

Marilyn and Lawrence Friedland
Nancy L. and William P. Hallman, Jr

Dale and Elizabeth Hemmerdinger

David Herro and Jay Franke

Molly Lowell and David Borthwick

Whitney and Elizabeth MacMillan

Jim and Debbie Norling

Christopher and Sophie North

Robert de Rothschild

And all those who wish to remain anonymous

The Wallace Collection Annual Report and Accounts 2017-18

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 2018 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated and Collection's Statement of Financial Activities, the Group and Collection Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Wallace Collection's affairs as at 31 March 2018 and of its net income/(expenditure) for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Responsibilities of the Trustees and Accounting Officer

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

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether

The Wallace Collection Annual Report and Accounts 2017-18

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Wallace Collection's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Wallace Collection's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

The Wallace Collection Annual Report and Accounts 2017-18

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

Other Information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

The Wallace Collection Annual Report and Accounts 2017-18

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
13 July 2018

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

The Wallace Collection Annual Report and Accounts 2017-18

Consolidated Statement of Financial Activities for the year ended 31 March 2018

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2017-18 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2016-17 £000
Income and endowment funds from:									
Donations and legacies	2	540	1,876	1,054	3,470	1,352	545	2,333	4,230
Grant-in-Aid	2	3,711	-	-	3,711	2,711	-	-	2,711
Charitable activities	3	126	-	-	126	118	-	-	118
Other trading activities	14	1,409	-	-	1,409	1,367	-	-	1,367
Investments	4	128	147	-	275	82	102	-	184
Total		5,914	2,023	1,054	8,991	5,630	647	2,333	8,610
Expenditure on:									
Raising funds									
Fundraising	5	360	-	-	360	438	-	-	438
Marketing and design	5	256	-	-	256	324	-	-	324
Trading: cost of goods sold and other costs	14	857	-	-	857	785	-	-	785
Charitable activities									
Conservation	5	267	177	-	444	219	97	-	316
Collections		735	519	-	1,254	1,010	342	-	1,352
Security		1,618	-	-	1,618	1,604	-	-	1,604
Building and maintenance		1,295	741	-	2,036	1,338	775	-	2,113
Total		5,388	1,437	-	6,825	5,718	1,214	-	6,932
Net gains/(losses) on investments	8c	-	-	(158)	(158)	-	-	632	632
Net income/(expenditure)	7	526	586	896	2,008	(88)	(567)	2,965	2,310
Transfers between funds	12	-	-	-	-	-	-	-	-
		526	586	896	2,008	(88)	(567)	2,965	2,310
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		452	2,773	-	3,225	191	1,365	-	1,556
Net movement in funds		978	3,359	896	5,233	103	798	2,965	3,866
Reconciliation of funds									
Total funds brought forward		5,937	42,276	7,332	55,545	5,834	41,478	4,367	51,679
Total funds carried forward	12	6,915	45,635	8,228	60,778	5,937	42,276	7,332	55,545

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

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

The notes on pages 43 to 55 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2017-18

Collection Statement of Financial Activities for the year ended 31 March 2018

	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2017-18 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2016-17 £000
Income and endowment funds from:								
Donations and legacies	1,061	1,876	1,054	3,991	1,880	545	2,333	4,758
Grant-in-Aid	3,711	-	-	3,711	2,711	-	-	2,711
Charitable activities	126	-	-	126	118	-	-	118
Other trading activities	572	-	-	572	530	-	-	530
Investments	128	147	-	275	81	102	-	183
Total	5,598	2,023	1,054	8,675	5,320	647	2,333	8,300
Expenditure on:								
Raising funds								
Fundraising	360	-	-	360	438	-	-	438
Marketing and design	256	-	-	256	324	-	-	324
Trading	551	-	-	551	476	-	-	476
Charitable activities								
Conservation	267	177	-	444	219	97	-	316
Collections	735	519	-	1,254	1,010	342	-	1,352
Security	1,618	-	-	1,618	1,604	-	-	1,604
Building and maintenance	1,296	740	-	2,036	1,338	775	-	2,113
Total	5,083	1,436	-	6,519	5,409	1,214	-	6,623
Net gains/(losses) on investments	-	-	(158)	(158)	-	-	632	632
Net income/(expenditure)	515	587	896	1,998	(89)	(567)	2,965	2,309
Transfers between funds	-	-	-	-	-	-	-	-
	515	587	896	1,998	(89)	(567)	2,965	2,309
Other recognised gains/(losses):								
Gains/(losses) on revaluation of fixed assets	452	2,773	-	3,225	191	1,365	-	1,556
Net movement in funds	967	3,360	896	5,223	102	798	2,965	3,865
Reconciliation of funds								
Total funds brought forward	5,915	42,276	7,332	55,523	5,813	41,478	4,367	51,658
Total funds carried forward	6,882	45,636	8,228	60,746	5,915	42,276	7,332	55,523

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

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

The notes on pages 43 to 55 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2017-18

Balance Sheet at 31 March 2018

	Notes	Group 2018 £000	Group 2017 £000	Collection 2018 £000	Collection 2017 £000
Fixed assets					
Tangible assets	8a	50,064	46,272	50,045	46,269
Heritage assets	8b	82	82	82	82
Investments	8c	7,342	7,326	7,342	7,326
		<u>57,488</u>	<u>53,680</u>	<u>57,469</u>	<u>53,677</u>
Current assets					
Stock		206	299	88	120
Debtors	9	2,261	433	2,228	496
Cash at bank and in hand	13	1,535	1,862	1,379	1,612
		<u>4,002</u>	<u>2,594</u>	<u>3,695</u>	<u>2,228</u>
Liabilities					
Creditors					
Amounts falling due within one year	10a	(582)	(667)	(418)	(382)
Net current assets		<u>3,420</u>	<u>1,927</u>	<u>3,277</u>	<u>1,846</u>
Total assets less current liabilities		60,908	55,608	60,746	55,523
Creditors					
Amounts falling due after more than one year	10b	(130)	(63)	-	-
Net assets	11	<u>60,778</u>	<u>55,544</u>	<u>60,746</u>	<u>55,523</u>
Represented by:					
Unrestricted funds					
Designated funds	12	3,931	3,044	3,920	3,044
Unrestricted revaluation reserve	12	1,681	1,257	1,681	1,257
General funds	12	1,303	1,636	1,281	1,614
		<u>6,915</u>	<u>5,937</u>	<u>6,882</u>	<u>5,915</u>
Restricted funds					
Restricted income funds	12	35,346	34,753	35,346	34,753
Restricted revaluation reserve	12	10,289	7,523	10,290	7,523
		<u>45,635</u>	<u>42,276</u>	<u>45,636</u>	<u>42,276</u>
Total income funds		52,550	48,213	52,518	48,191
Endowment fund	12	8,228	7,332	8,228	7,332
Total funds	12	<u>60,778</u>	<u>55,545</u>	<u>60,746</u>	<u>55,523</u>

Dr Xavier Bray

9 July 2018

António Horta-Osório
Chairman

9 July 2018

The notes on pages 43 to 55 form part of these financial statements.

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Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	13	<u>118</u>	<u>214</u>
Cash flows from investing activities:			
Dividends and interest from investments	4	275	184
Purchase of property, plant and equipment	8a	(1,601)	(76)
Purchase of investments	8c	(173)	(4,815)
Sale of investments	8c	-	2,336
Net cash provided by (used in) investing activities		<u>(1,499)</u>	<u>(2,371)</u>
Cash flows from financing activities:			
Receipt of endowment	2	<u>1,054</u>	<u>2,333</u>
Net cash provided by (used in) financing activities		<u>1,054</u>	<u>2,333</u>
Change in cash and cash equivalents in the year			
		(327)	176
Cash and cash equivalents at beginning of the year		<u>1,862</u>	<u>1,686</u>
Cash and cash equivalents at end of the year		<u>1,535</u>	<u>1,862</u>

The notes on pages 43 to 55 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2017-18

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and comply with the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (2015), the Charities Act 2011, the HM Treasury Financial Reporting Manual, the Accounts Direction given by the Secretary of State for Digital, Culture, Media and Sport and applicable accounting standards including Financial Reporting Standard 102.

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

b) Going concern

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

c) Income

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

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

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

Sponsorship for specific projects and donations are recognised when the museum becomes entitled to the income, there is probability of receipt and the amount is quantifiable. Amounts received in advance are recognised as deferred income, and transferred to the Statement of Financial Activities in the year in which the respective conditions are fulfilled.

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

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

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

d) Expenditure

Expenditure is recognised on an accruals basis and classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements.

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

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

The Wallace Collection Annual Report and Accounts 2017-18

e) Fund accounting

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

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

f) Tangible fixed assets

Tangible fixed assets with a cost of £2,000 and above are capitalised and stated at their current cost. Where appropriate, assets of a lower value, but over £1,000 and purchased in bulk are grouped and capitalised when the combined total exceeds £2,000. This avoids the unnecessary capitalisation of comparatively low value items.

The property, Hertford House, was transferred to the Trustees of the museum by the Secretary of State for the Environment on 22 December 1993. The basis for the valuation for this property is stated in note 8(a).

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

Freehold land	- not depreciated
Freehold buildings	- the structure is depreciated over 95 years; the fit out over 25 years and the associated plant over 20 years. The refurbishment of the Great Gallery is depreciated over 95 years.
Office equipment	- over four years (except Wallace Live which is depreciated over the expected remaining life of seven years)
Fixtures and fittings	- over four years (electrical equipment), ten years (other fixtures and fittings and security equipment) and 25 years (refurbishment projects).

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

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

All material classes of fixed assets are re-valued to current costs. A quinquennial valuation of land and buildings is carried out by a professional valuer. In the years between quinquennial valuations, land is re-valued with reference to GDP indices published by the Office for National Statistics, and buildings by Building Cost Information Service tender price indicators. Impairment reviews are carried out where fixed assets show indications of potential impairments.

g) Stock

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

h) Heritage assets

Formed by four generations of Marquesses of Hertford and by Sir Richard Wallace, the Wallace Collection was bequeathed to the nation by Lady Wallace in 1897. Her bequest stipulated that it should be preserved as a national museum 'unmixed with other works of art'. Owing to this stipulation the Wallace Collection neither acquires nor disposes of works of art.

In the Trustees' opinion, appropriate and relevant information on cost or value is not available for the museum's collections for assets purchased before 2001. This is owing to the lack of information on purchase cost, the diverse nature of the objects, and the volume of items held.

In the Trustees' opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to incur significant cost that is likely to be onerous. Even if valuations could be obtained the costs would not be at commensurate with any benefits to the museum management, curatorial staff, the public, or users of the financial statements. For this reason the Collections are not recognised as assets in the museum's balance sheet. Expenditure which is required to preserve or prevent further deterioration of individual Collection items is recognised in the Statement of Financial Activities when it is incurred.

There is no separate accession register as such for the Wallace Bequest since this function is deemed to be fulfilled by the original bequest documentation and subsequent catalogues.

The Wallace Collection Annual Report and Accounts 2017-18

h) Heritage assets (continued)

Since the Wallace Collection is prohibited by the terms of Lady Wallace's bequest and subsequent statute from adding to or disposing of its permanent collection, objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest. An accession register has been implemented for the Hertford House Historic Collection. Additions with a cost price in excess of £2,000 are capitalised and recognised in the balance sheet at the cost or value of the acquisition. Such items are not depreciated as they are deemed to have indefinite lives. Items are not revalued as a matter of course unless significantly impaired. To date no impairments have occurred of capitalised items.

i) Leases

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

j) Foreign currencies

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

k) Pension costs

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

l) Financial instruments

Financial assets

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

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

Financial liabilities

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

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset, or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

Where there is objective evidence that an impairment loss exists on financial assets carried at amortised cost, impairment provisions are made to reduce the carrying value to the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Any charge to the Statement of Financial Activities represents the movement in the level of provisions, together with any amounts written off, net of recoveries in the year.

m) Taxation

The Wallace Collection is exempt under section 505 of the Income and Corporation Taxes Act 1988 from taxes on income arising from the pursuit of its charitable objectives. The trading subsidiary, Hertford House Marketing Limited, distributes its profit to the Wallace Collection at the year end, so no tax is due on this.

n) Provisions for liabilities

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

o) Public benefit entity

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

The Wallace Collection Annual Report and Accounts 2017-18

2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2017-18 £000	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2016-17 £000
Donations	540	648	1,054	2,242	1,352	420	2,333	4,105
Other capital income	-	1,228	-	1,228	-	125	-	125
	<u>540</u>	<u>1,876</u>	<u>1,054</u>	<u>3,470</u>	<u>1,352</u>	<u>545</u>	<u>2,333</u>	<u>4,230</u>

Unrestricted donations include £37,000 of pro bono interim Finance Director support and £19,000 of pro bono investment advice (2016-17 £585,000). The matching expenditure has been included in support costs for the interim Finance Director support and fundraising costs for the investment advice.

Grant-in-Aid of £3,711,000 (2016-17 £2,711,000) was received from the Department for Digital, Culture, Media and Sport of which £1,287,000 (2016-17 £287,000) was for capital purposes.

3. Income from charitable activities

	2017-18 Unrestricted £000	2016-17 Unrestricted £000
Study days and art activities	30	42
Tours and filming	39	41
Miscellaneous other income	57	35
	<u>126</u>	<u>118</u>

4. Income from investments

	Unrestricted £000	Restricted £000	Total 2017-18 £000	Unrestricted £000	Restricted £000	Total 2016-17 £000
UK investment funds	39	47	86	36	46	82
Fixed interest bonds	15	19	34	9	12	21
UK equities	49	60	109	22	29	51
Overseas equities	15	18	33	10	13	23
Infrastructure and property	3	3	6	1	2	3
Interest receivable	7	-	7	4	-	4
	<u>128</u>	<u>147</u>	<u>275</u>	<u>82</u>	<u>102</u>	<u>184</u>

5. Expenditure

	Direct costs	Support costs	Deprec- iation	Total 2017-18	Direct costs	Support costs	Deprec- iation	Total 2016-17
Raising funds								
Fundraising	308	52	-	360	352	86	-	438
Marketing and design	215	41	-	256	257	67	-	324
Trading	781	72	4	857	717	67	1	785
Charitable Activities								
Conservation	395	49	-	444	252	64	-	316
Collections	1,084	170	-	1,254	1,089	263	-	1,352
Security	1,458	160	-	1,618	1,348	256	-	1,604
Building and maintenance	895	111	1,030	2,036	923	300	890	2,113
	<u>5,136</u>	<u>655</u>	<u>1,034</u>	<u>6,825</u>	<u>4,938</u>	<u>1,103</u>	<u>891</u>	<u>6,932</u>

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5b) Support costs breakdown by activity

	Governance £000	Human Resources £000	Finance & IT £000	Office Supplies £000	Director's Office £000	Donated support £000	Total 2017-18 £000	Total 2016-17 £000
Raising funds								
Fundraising	2	6	10	4	28	2	52	86
Marketing and design	1	5	7	8	19	1	41	67
Trading	7	19	14	8	19	5	72	65
Charitable activities								
Conservation	3	8	13	4	19	2	49	64
Collections	8	30	36	12	78	6	170	263
Security	10	81	48	2	10	9	160	256
Building and maintenance	13	2	63	3	19	11	111	299
	<u>44</u>	<u>151</u>	<u>191</u>	<u>41</u>	<u>192</u>	<u>36</u>	<u>655</u>	<u>1,100</u>

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

6a)	2017-18 £000	2016-17 £000
Wages and salaries	2,708	2,617
Social security costs	234	217
Pension costs	419	423
	<u>3,361</u>	<u>3,257</u>
Temporary staff	120	47
	<u>3,481</u>	<u>3,304</u>

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

The number of employees, including the Director, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	2017-18	2016-17
£60,001 – £70,000	1	3
£70,001 – £80,000	1	-
£100,001 – £110,000	1	-
	<u>3</u>	<u>3</u>

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6b) Pension costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS). The PCSPS and CSOPS - known as 'alpha' - are non-contributory and unfunded multi-employer defined benefit schemes but the Wallace Collection is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensions.org.uk/about-us/scheme-valuations).

For 2017-18, employers' contributions of £344,198 were payable to the PCSPS (2016-17: £361,757) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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

Employers' contributions of £75,057 (2016-17: £61,102) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £6,673 (2016-17: £5,388). No contributions were prepaid at that date.

6c) Average number of employees

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

	2017-18	2017-18	2016-17	2016-17
	Headcount	Full-time equivalent	Headcount	Full-time equivalent
Director's Office	1.8	1.8	2.0	2.0
Conservation	5.4	5.3	5.0	5.0
Collections	19.7	19.1	20.4	18.6
Security and Gallery	53.7	42.5	57.4	45.3
Building and Maintenance	1.5	1.5	3.0	2.6
Fundraising	4.0	4.0	3.9	3.9
Marketing and Design	3.0	3.0	4.0	3.1
Trading	12.7	11.7	11.6	10.0
Finance, HR and IT	5.3	4.7	4.5	4.5
	<u>107.1</u>	<u>93.6</u>	<u>111.8</u>	<u>95.0</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2016-17: £nil). No expenses were reimbursed to any Trustee (in 2016-17 one Trustee was reimbursed travel expenses totalling £163).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2017-18	2016-17
	£000	£000
External audit fees: NAO	22	22
External audit fees: trading subsidiary auditors	6	7
Other fees: trading subsidiary auditors	3	3
Internal Audit Fees	6	6
Operating lease rentals for the hire of plant and machinery	11	11

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

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8a) Tangible fixed assets Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2017	43,609	6,369	881	21	50,880
Additions	-	336	14	1,251	1,601
Transfers	-	6	-	(6)	-
Revaluation	3,420	(111)	-	-	3,309
Balance at 31 March 2018	47,029	6,600	895	1,266	55,790
Depreciation					
Balance at 1 April 2017	1,243	2,649	716	-	4,608
Charge for the year	679	229	126	-	1,034
Revaluation	115	(31)	-	-	84
Balance at 31 March 2018	2,037	2,847	842	-	5,726
Net book value					
Balance at 31 March 2018	44,992	3,753	53	1,266	50,064
Balance at 31 March 2017	42,366	3,720	165	21	46,272

The net book value at 31 March 2018 represents tangible fixed assets used for:

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Charitable purposes	44,992	3,734	53	1,266	50,045
Trading activities	-	19	-	-	19
	44,992	3,753	53	1,266	50,064

The Wallace Collection

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2017	43,609	6,352	848	21	50,830
Additions	-	318	13	1,251	1,582
Transfers	-	6	-	(6)	-
Revaluation	3,420	(111)	-	-	3,309
Balance at 31 March 2018	47,029	6,565	861	1,266	55,721
Depreciation					
Balance at 1 April 2017	1,243	2,636	682	-	4,561
Charge for the year	679	226	126	-	1,031
Revaluation	115	(31)	-	-	84
Balance at 31 March 2018	2,037	2,831	808	-	5,676
Net book value					
Balance at 31 March 2018	44,992	3,734	53	1,266	50,045
Balance at 31 March 2017	42,366	3,716	166	21	46,269

The Wallace Collection is housed in Hertford House, Manchester Square, London, W1U 3BN. The freehold title to this property was transferred to the Trustees of the Wallace Collection from the Secretary of State for the Environment on 22 December 1993 at its then net book value.

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

Between the full quinquennial revaluations the land and building are revalued on an annual basis using appropriate indices.

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8 b) Heritage assets

	2017-18	2016-17
	£000	£000
Opening and closing balance	<u>82</u>	<u>82</u>

Objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection subsequent to the 1897 bequest.

8 c) Investments

	Group	Group	Collection	Collection
	2018	2017	2018	2017
	£000	£000	£000	£000
Market value at 1 April	7,327	4,215	7,327	4,215
Additions	173	4,815	173	4,815
Disposals	-	(2,336)	-	(2,336)
Net gain/(loss) on revaluation	<u>(158)</u>	<u>632</u>	<u>(158)</u>	<u>632</u>
Market value at 31 March	<u>7,342</u>	<u>7,326</u>	<u>7,342</u>	<u>7,326</u>

	Group	Group	Collection	Collection
	2018	2017	2018	2017
	£000	£000	£000	£000
At market value:				
UK investment funds	1,989	2,168	1,989	2,168
Fixed interest bonds	642	618	642	618
UK equities	2,879	2,439	2,879	2,439
Overseas equities	1,503	1,129	1,503	1,129
Infrastructure and property	264	200	264	200
Cash	<u>65</u>	<u>772</u>	<u>65</u>	<u>772</u>
	<u>7,342</u>	<u>7,326</u>	<u>7,342</u>	<u>7,326</u>
At cost	<u>6,835</u>	<u>6,653</u>	<u>6,835</u>	<u>6,653</u>

All investments are stated at fair value at 31 March 2018. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for other investments are based on recent valuation reports.

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

9) Debtors

	Group	Group	Collection	Collection
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	246	174	26	18
Other debtors	24	21	24	21
VAT debtors	275	42	301	128
Amount due from subsidiary	-	-	189	162
Prepayments and accrued income	<u>1,716</u>	<u>196</u>	<u>1,688</u>	<u>167</u>
	<u>2,261</u>	<u>433</u>	<u>2,228</u>	<u>496</u>

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

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10a) Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Collection 2018 £000	Collection 2017 £000
Trade creditors	98	169	95	102
Taxation and Social Security	103	103	103	103
Accruals	206	131	196	120
Deferred income	168	262	17	57
Other creditors	7	1	7	-
	<u>582</u>	<u>667</u>	<u>418</u>	<u>382</u>

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

	Group 2018 £000	Group 2017 £000	Collection 2018 £000	Collection 2017 £000
Deferred income	<u>130</u>	<u>63</u>	<u>-</u>	<u>-</u>

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

	Group 2018 £000	Group 2017 £000	Collection 2018 £000	Collection 2017 £000
Deferred income at 1 April	325	289	57	107
Released from previous year	(281)	(239)	(57)	(57)
Deferred in current year	254	275	17	7
Deferred income at 31 March	<u>298</u>	<u>325</u>	<u>17</u>	<u>57</u>

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

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11. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2018 £000
Fixed assets	5,610	44,536	7,342	57,488
Current assets	2,017	1,099	886	4,002
Current liabilities	(582)			(582)
Liabilities due after one year	(130)			(130)
Total net assets	6,915	45,635	8,228	60,778

12. Consolidated statement of funds

	Balance at 1 April 2017 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2018 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,032	-	(293)	-	1,180	3,919
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,257	-	-	452	(28)	1,681
General funds	1,636	5,914	(5,095)	-	(1,152)	1,303
Total unrestricted funds	5,937	5,914	(5,388)	452	-	6,915
Restricted funds						
Capital reserve (c)	34,463	-	(741)	-	453	34,175
Heritage assets (d)	70	-	-	-	-	70
Revaluation reserve	7,523	-	-	2,773	(7)	10,289
Conservation projects (e)	30	160	(178)	-	(5)	8
Education fund (f)	62	172	(160)	-	-	74
Infrastructure fund (g)	79	1,200	-	-	(414)	865
Publication fund (h)	3	-	-	-	-	3
Archive and library fund (i)	33	116	(103)	-	-	46
Curatorial projects (j)	12	313	(220)	-	-	105
Collection Services fund (k)	-	-	-	-	-	-
Gallery refurbishment (l)	1	27	-	-	(28)	-
Educational and research fund (m)	-	35	(35)	-	-	-
Total restricted funds	42,276	2,023	(1,437)	2,773	-	45,635
Endowment fund	7,332	1,054	-	(158)	-	8,228
Total funds	55,545	8,991	(6,825)	3,067	-	60,778

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

b) The heritage assets fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using unrestricted funds.

c) The capital reserve fund represents the net book value of the museum's tangible fixed assets purchased using restricted funds.

d) The heritage assets restricted fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using restricted funds given for this purpose.

e) The conservation projects fund includes funds specifically for conservation projects from various donors.

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

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

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

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

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

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

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

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

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

	Notes	2017-18 £000	2016-17 £000
Net income/(expenditure) for the year (as per the statement of financial activities)		1,113	(655)
Adjustments for:			
Depreciation charges	8a)	1,034	891
Dividends and interest from investments	4	(275)	(184)
(Increase)/decrease in stock		93	(13)
Decrease/(increase) in debtors	9	(1,828)	11
(Decrease)/increase in creditors	10	(19)	164
Net cash provided by (used in) operating activities		<u>118</u>	<u>214</u>
		Group	Group
		2018	2017
		£000	£000

Analysis of cash and cash equivalents

Cash in hand		<u>1,535</u>	<u>1,862</u>
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14. Hertford House Marketing Limited

The Wallace Collection owns the whole of the issued share capital of two shares of £1 nominal value of Hertford House Marketing Limited, a company registered in England and Wales (company number 3183595). The company's principal activities are corporate event hire, retail, the Picture Library and the running of the Wallace Restaurant franchise. The museum's Director was a director throughout the year.

Statement of comprehensive income

	2017-18 £000	2016-17 £000
Turnover	1,409	1,367
Cost of sales	<u>(206)</u>	<u>(219)</u>
Gross profit	1,203	1,148
Administrative expenses	<u>(683)</u>	<u>(624)</u>
Operating profit	520	524
Interest receivable	<u>1</u>	<u>1</u>
Profit on ordinary activities before gift aid payment	<u>521</u>	<u>525</u>

The profit of £521,000 (2016-17 £525,000) was distributed under gift aid to the Wallace Collection.

Reconciliation to the Consolidated Statement of Financial Activities

	2017-18 £000	2016-17 £000
Cost of sales	206	219
Administrative expenses	683	624
Gross Profit	<u>889</u>	<u>843</u>
Less: intercompany sales	<u>(32)</u>	<u>(58)</u>
Per Consolidated Statement of Financial Activities	<u>857</u>	<u>785</u>

Balance sheet

	2018 £000	2017 £000
Tangible fixed assets	19	4
Current assets	509	612
Current liabilities	(378)	(533)
Liabilities due after one year	<u>(130)</u>	<u>(63)</u>
Net assets	<u>20</u>	<u>20</u>
Share capital	-	-
Reserves	<u>20</u>	<u>20</u>
Net assets	<u>20</u>	<u>20</u>

The Current Assets include stock of £117,755 (2016-17 £178,040).

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15. Financial commitments

At 31 March 2018, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2018 £000	2017 £000
Not later than one year	11	11
Later than one year and not later than five years	37	11
Later than five years	-	2
Total	<u>48</u>	<u>24</u>

Hertford House Marketing Limited has no such financial commitments.

16. Financial instruments

FRS29 'Financial Instruments: Disclosures' requires entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during the period.

Many of the museum's financial instruments relate to contracts to buy non-financial items in line with the museum's expected purchase and usage requirements and the museum is therefore exposed to little credit, liquidity or market risk. However, the museum holds fixed asset investments following the establishment of its permanent endowment fund in 2015-16 and is exposed to market risk on these. It seeks to manage this risk through the use of professional investment advisors and fund managers.

Liquidity Risk

Approximately 47% (2016-17: 43%) of the museum's non-endowment income was provided as Grant-in-Aid from the Department for Digital, Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant in Aid received from the Department of Digital, Culture, Media and Sport, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size.

Foreign Currency Risk

As the museum's policy is to convert foreign currency into sterling on receipt, the museum's exposure to foreign currency risk is not significant.

Interest Rate Risk

The museum draws down its annual Grant in Aid allocation according to its monthly cash flow requirements. The museum's current financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the museum's financial assets carry fixed rates of interest. As only a relatively small proportion of income £7,000 (2016-17 : £4,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

17. Capital commitments

At 31 March 2018, capital expenditure commitments were as follows:

	2018 £000	2017 £000
Authorised by the Trustees and contracted for	<u>557</u>	<u>-</u>

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

18. Related party transactions

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

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18. Related party transactions (continued)

Related party	Nature of relationship	Grants or donations	
		received £000	Purchases £000
British Library	DCMS funded body		4
National Gallery	DCMS funded body		2
Science Museum	DCMS funded body		1
Wallace Collection Foundation (formerly Hertford House Trust)	The Director is an ex officio trustee* of the Wallace Collection Foundation.	230	-
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group	The Lloyds Bank Group has acted as the Wallace Collection's bankers for many years on normal business terms. The Lloyds Bank Group provided an Interim Finance Director during the period of recruitment for the new Finance Director (£37,052).	
Wallace Collection Foundation (formerly Hertford House Trust)	António Horta-Osório is an ex officio trustee* of the Wallace Collection Foundation.	230	-

* With reduced voting rights

Wallace Collection in America, Inc

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

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

During the year grants of £nil (2016-17 £99,023) were made to the Wallace Collection. At 31 March 2018, the WCiA had net assets of £203,856 in the form of cash at bank (2016-17 £121,279)

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

No Trustees or staff member obtained any personal benefit from the transactions disclosed above and no Trustee or staff member had any other material transactions with the museum in the year. No Trustees held any significant interests which would conflict with their management responsibilities of the museum. Several Trustees are also supporters of the museum, and they are shown in Annex B to the Annual Report. Donations received from Trustees in the year were £56,089 including gift aid (2016-17: 66,801). Donations received without conditions from Trustees and other related parties totalled £323,273 (2016-17: £353,324).

19. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (2017: Nil).

20. Post balance sheet events

The accounts were authorised for issue on the date of the Comptroller and Auditor General's certification. There were no reportable events between the balance sheet date and the date the accounts were authorised for issue.

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