

The Wallace Collection
Annual Report and Accounts 2016-17

The Wallace Collection Annual Report and Accounts 2016-17

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The Wallace Collection Annual Report and Accounts 2016-17

Contents

Annual Report.....	5
Achievements and Performance	7
Financial Review.....	17
Reference and Administrative Details of the Charity, its Trustees and Advisors.....	18
Remuneration Report.....	20
Statement of Trustees' and Accounting Officer's Responsibilities	24
Governance Statement	25
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.....	35
Accounts.....	37

The Wallace Collection Annual Report and Accounts 2016-17

Annual Report

Background information

The Wallace Collection was formed by four generations of Marquesses of Hertford and by Sir Richard Wallace (the illegitimate son of the fourth Marquess), between the 1780s and the 1880s. 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 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 Culture, Media and Sport. It is a charity exempt from registration under the Charities Act 2011. It has a wholly-owned subsidiary, Hertford House Marketing Limited, whose results are consolidated with the Wallace Collection's results for the purpose of these accounts.

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 Collections

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

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

The Wallace Collection Annual Report and Accounts 2016-17

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.

Objectives

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

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

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

The Trustees therefore consider the Wallace Collection's principal aim one of stewardship, specifically:

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

And to achieve this, the museum's subsidiary aims are to:

- Promote the understanding and enjoyment of the Collection;
- Maintain and improve the conservation and display of the works of art;
- Foster and encourage the study of eighteenth-century French art, of European princely arms and armour as well as of French and British collecting in these areas between 1700 and 1900; and
- Maintain Hertford House and its services.

The Trustees believe that these objectives are for the public benefit and have had regard to the Charity Commission's guidance on public benefit when making decisions to which it is relevant.

In 2014, a Ten Year Plan was approved by the Trustees providing a road map for future activities to support and broaden these aims. The plan set out the following aims to be achieved by 2024:

- a leading centre for French eighteenth-century art and for European princely arms and armour;
- a welcoming, accessible and inspirational museum promoting our core areas to a diverse audience and encouraging learning;
- a museum with an up-to-date infrastructure and with sufficient space for its collections, visitors, staff and activities.

The three main areas of the Ten Year Plan – research and collection, visitors, infrastructure and finance – provide the main structure of the annual report. The Trustees are undertaking a strategic review of the plan.

The Wallace Collection Annual Report and Accounts 2016-17

Achievements and performance

Research and Collection

The Wallace Collection's continuing commitment to research was evidenced in the breadth and depth of the projects in which we were involved during the year, many of which are long-term and some of which involve other institutions, both British and international.

The practical uses of modern science are of increasing relevance in museums today, and can be enormously useful for informing visitors, scholars and curators alike about the construction, manufacture and possible origins of art objects. One main area where we are actively using scientific analysis is arms and armour; for ten years we have been making use of neutron diffraction, a non-invasive quantitative analytical technique that is particularly suitable for art-objects which for practical and ethical reasons cannot be sectioned or sampled for analysis. Last year we continued our use of non-invasive neutron-diffraction analysis for studying the Collection's Indian and Middle-Eastern arms and armour, the results of which were disseminated in a small exhibition supported by the U.K. Science and Technology Facilities Council (STFC). Too often in the past the rich and complex history, culture and technologies of India and the Middle East have been ignored, underestimated or misunderstood, to the point that we risk forgetting their influence on Western civilisation. It is hoped that highlighting the richness of Indian and Islamic material culture and technology in this way will help to promote better and wider understanding and appreciation of these rich civilisations.

Alongside these scientific techniques, we continued our ambitious undertaking to catalogue the contents of the Oriental Armoury which is now approaching completion. Three independent research specialists, working closely with the Curator of Arms and Armour, have worked diligently and intensively in their examination, evaluation and interpretation of several hundred objects, made variously between the fifteenth and nineteenth centuries, in places as diverse as the Balkans, Greece, Turkey, Iran, Afghanistan, India and Tibet, among others.

The Riesener Research Project is ongoing, its main aim being to document the current condition and appearance of all pieces of furniture by the eighteenth-century French royal cabinet-maker Jean-Henri Riesener in three major British collections: the Wallace Collection, Waddesdon Manor and the Royal Collection. In particular, the project intends to analyse the construction, materials and techniques employed. 2016/17 was the third year of the collaboration, which is led by the Senior Furniture Conservator and the Senior Curator of the Wallace Collection, and in total 13 pieces of Riesener furniture have now been examined and treated where necessary. Comprehensive reports are being compiled which will lead to a major publication and exhibition.

The carved and giltwood 'William Kent' chair from c.1730-35 (F462) has been the subject of a research and conservation programme in 2016/17. It is one of the very few examples of English furniture in the Wallace Collection. There are four chairs of the same design in the Duke of Devonshire's collection at Chatsworth House and all of them appear to have been part of a set of eight armchairs inventoried in the Blue Room at Chiswick House in 1770. The chair's very poor condition has rendered it unfit for display for many decades, and only now, following a very successful Conservation Funding Appeal, have we managed to raise the sufficient funds needed for its restoration. The conservation work is ongoing.

The Views of Venice Project was launched in the spring of 2017, when two large Canaletto paintings were sent to the conservation studios of the Hamilton Kerr Institute, University of Cambridge. In tandem with the two Canalettos, four large paintings by Guardi were sent to the HKI for new imaging (X-radiography, IRR, and photography). The conservation treatment and accompanying technical analysis will allow a closer inspection of the techniques employed in all the works, and already indications of some important technical findings have been discovered. This project will continue over several years and will allow us to understand more fully the techniques of Canaletto and his

The Wallace Collection Annual Report and Accounts 2016-17

fellow *vedute* painters, and also to research more thoroughly the provenance and collecting history behind the paintings in our collection.

2018 will be the 200th anniversary of the birth of Sir Richard Wallace. To mark the occasion, a new book is being written by one of our curators which will be the first to be devoted exclusively to Richard Wallace's life and achievements. Arranged thematically, its main focus is the study of Wallace as an art collector, art patron and benefactor. Research has been on-going all year.

The research project into French 18th-century gilt bronze that has been running for the past two years approached completion; our Curator of French 18th-century Decorative Arts has written a book during the year which was published in May 2017 and an exhibition, *Gilded Interiors: French Masterpieces of Gilt Bronze*, to disseminate the results of the research was launched on 4th May 2017.

Staff Publications

- Tobias Capwell, 'Jousting is closer to performance art than an Olympic sport', Apollo, online. <http://www.apollo-magazine.com/jousting-is-closer-to-performance-art-than-an-olympic-sport>
- Tobias Capwell, review of: A.V. B Norman, I. Eaves et al., 'Arms and Armour in the Collection of Her Majesty the Queen: European Armour' (London, 2016), *The Art Newspaper*, p. 64.
- Tobias Capwell, review, *The Livery Collar in Late Medieval England and Wales: Politics, Identity and Affinity* by Matthew Ward, in *Church Monuments*, 31 (2016).
- Lucy Davis, Joost vander Auwera, Anna Sanden, Irene Schaudies, Jacques Jordaens (1593–1678): *Allegories of Fruitfulness and Abundance*, Royal Museum of Fine Arts, Brussels, Silvana 2016
- David Edge, 'A New Oriental Armoury Catalogue for the Wallace Collection? ... the Appliance of Science to the Study of Indo-Persian Arms & Armour', *London Arms Fair Guide*, London 2016, pp. 28–34.
- Helen Jacobsen, 'Gouthière's Legacy. 19th-century collectors in Britain', in C. Baulez and C. Vignon (eds.), *Pierre Gouthière: Virtuoso Gilder at the French Court* (New York, London, 2016), pp. 139-149.
- Jon Slight, 'A Composition-Making Course at the Wallace Collection', *ICON News*, 65, p.29
- Jon Slight 'The International Course on Wood Conservation Technology 2016', *ICON News*, 66, p.24
- Christoph Martin Vogtherr, 'Tom Ellis at the Wallace Collection. Contexts of Perception and Creation', *The Middle. Tom Ellis at the Wallace Collection*, exhibition, London, Wallace Collection, 2016, pp. 4–9
- Christoph Martin Vogtherr, 'Moving on from Watteau: Jean-Baptiste Pater and the Transformation of the Fête Galante', in Heather MacDonald (ed.), *French Art of the Eighteenth-Century: The Michael L. Rosenberg Lecture Series at the Dallas Museum of Art*, Dallas 2016, pp. 81–93
- Christoph Martin Vogtherr, 'Zeichnungen und Gemälde im Werk Antoine Watteaus - eine ungewöhnliche Beziehung', in Michiel Plomp and Martin Sonnabend, *Watteau. Der Zeichner*, exhibition catalogue, Frankfurt, Städel Museum, Haarlem, Teylers Museum, Frankfurt am Main/Munich 2016, pp. 48–65
- Christoph Martin Vogtherr, 'Observation and Imagination: French Genre Drawings at the Time of Gainsborough', *French Drawings from the Time of Gainsborough*, exhibition, Sudbury, Gainsborough's House, 2016.

The Wallace Collection Annual Report and Accounts 2016-17

- Alan Williams with Simon Metcalf, 'Metallurgy of European armour in the collection of HM the Queen' in A.V.B. Norman, I. Eaves et al., *Arms and Armour in the Collection of Her Majesty the Queen: European Armour*, London, 2016, pp. 458–63.
- Alan Williams, David Edge, et al., 'Determination of the Manufacturing Methods of Indian Swords through Neutron Diffraction', *Microchemical Journal* 125, March 2016, pp. 273–8.
- Alan Williams, David Edge, Tobias Capwell, 'An Experimental Investigation of Late Medieval Combat with the Couched Lance', *Journal of the Arms and Armour Society* XXII, 1, March 2016, pp. 1–17.

Presentation of the Collection, Gallery Improvements and Displays

We have continued to update and refresh the interpretive materials in the galleries, with a view to ensuring consistency of both presentation and content in the labels and gallery sheets. This project is on-going.

The quality of lighting is increasingly seen as an important tool in displaying our works of art. In conjunction with the refurbishment of the Front State Room, we took the opportunity of renewing the lighting and incorporating LED fittings. The result is a more cost-effective solution and a more satisfactory display. We also replaced with LED fittings the lighting in the vitrines in the Study, which have significantly enhanced the display of the Sèvres porcelain. New LED spot lights have been acquired for the Exhibition galleries which have improved the flexibility of the lighting that we can now rely on and which are adaptable to different installations. We hope to continue to update our lighting in the galleries when funds allow.

A number of displays and small exhibitions were held in the galleries and in the Porphyry Court. The Conservation Gallery hosted an exhibition about the Kent chair (F462) which was used to raise money for its conservation. £7,000 was raised, which has enabled the conservation work to go ahead. *The Appliance of Science: analysing arms and armour by neutron diffraction* ran for five months and showcased the scientific analysis that has been carried out on the Collection's Indian and Middle-Eastern arms and armour over the last several years.

In the Porphyry Court, special displays were organised to highlight different areas of the Collection's rich ceramics holdings. *Exuberant Design: Jean-Claude Duplessis at the Sèvres Manufactory* focused on the work of Jean-Claude Duplessis, a goldsmith, sculptor and founder who designed gilt-bronze mounts and vase models of unprecedented technical and stylistic sophistication for Sèvres for twenty-five years. *Tales from Ovid's Metamorphoses* highlighted not only parts of the maiolica collection but also sculpture and metalwork and the ways in which different media have been used to interpret this epic Roman poem across the centuries.

Once again, Open Furniture Month proved enduringly popular with our visitors, and its theme, *Innovation in French cabinet-making* provided a unique opportunity to look inside some of our most important pieces of French eighteenth-century furniture, including works by the great masters Jean-Henri Riesener, Jean-François Oeben and Jean-François Leleu.

A number of works from the Reserve Gallery have been put into the main galleries in an effort to put as much as possible of the Collection on public display.

Collections Database

More than 650 entries on the collections database (Wallace Live) have been substantially improved during the year including catalogue entries and images.

Entries from the 1985 Catalogue of Pictures have been scanned and attached to the database entries.

The Wallace Collection Annual Report and Accounts 2016-17

Library and Archive

Major progress has been made throughout the year on the cataloguing of library and archive (see the following section).

Progress against the Ten Year Plan

Research in both French eighteenth-century art and European arms and armour continues to be a priority for the museum and the relevant curators are involved in several research projects, both internal and internationally. These projects include work on the celebrated French cabinet-maker, Jean-Henri Riesener, in conjunction with both Waddesdon Manor and the Royal Collection, to which an international advisory panel contributes regularly involving institutions in France and the USA. Research into the collection of French gilt bronze has been on-going and will result in an important publication and exhibition next year.

In addition, however, research in other areas of the collection continues to be an important feature of the Wallace Collection's remit, as projects to clean and research the Venetian view paintings by Canaletto and his contemporaries and to catalogue the Ottoman, Middle-Eastern and Asian arms and armour collection demonstrate.

For the library and archive at the Wallace Collection, progress towards the Ten Year Plan aims has been substantial. The retrospective cataloguing of the library has now been completed and a new online cataloguing service has been set up. The cataloguing of the Hertford family archive has started and will be completed by next year.

A new access policy for the library and archive has been written and made available to the public on the website. A survey on the condition of the rare books has been carried out, and a programme of possible and required repairs for the most fragile books will be undertaken in the next year.

Preliminary work has been undertaken for application toward the archive accreditation scheme, to be completed by the end of next year.

Visitors

Introduction

The Director of Public Engagement leads the Public Engagement Directorate which incorporates Communications, the Events and Corporate Membership scheme, Education, Community, Access and Public programme, Gallery Team, the Retail department (which includes Publications) and managing the Restaurant and Café franchise.

The overarching objective of the Public Engagement team is to contribute to the organisation's aim to be a welcoming, accessible and inspirational museum promoting our core areas to a diverse audience and encouraging learning.

Alongside attracting and engaging with visitors there is also a responsibility to increase income for the museum notably through the activities of the Events and Corporate Membership scheme, retail activity and the performance of the restaurant and café franchise. Inevitably visitor numbers influence these strands of income generation and 2016-17 sees a small decrease in visitor numbers (by 1.76% on 2015-16 attendances) and therefore a drop in income from retail and catering operations. However, visitor numbers compare favourably with the museum and gallery sector and for the third year in a row the visitor figure has exceeded 400,000 (2016-17 419,202; 2015-16 426,703; 2014-15 427,836).

The Wallace Collection Annual Report and Accounts 2016-17

The year saw a change in Director of the Wallace Collection with Christoph Vogtherr leaving to become Director of the Kunsthalle Museum in Hamburg. Xavier Bray, formerly the Senior Curator at Dulwich Picture Gallery, joined as Director of the Collection in October 2016. The transitional period resulted in the implementation of some initiatives being delayed but the transition was made smoothly and without any disruption to the activities of the museum.

Communications

During the year there was a considerable focus on the presentation of an exhibition which featured the work of contemporary artist Tom Ellis. The exhibition, *The Middle – Tom Ellis at the Wallace Collection*, represented an unusual departure for the museum in that it featured contemporary art, some of which was displayed in the museum's Front State Room (from which the permanent collection had been removed for the room's refurbishment). Promoted through an extensive social media campaign and considerable media coverage, including BBC Radio 4's Front Row, the exhibition attracted over 27,000 visitors.

During a three week period in March we exhibited portraits painted by the heat winners and finalists of the Sky Arts Portrait Artist of the Year 2017. Much of the series was filmed at the Wallace Collection and the exhibition coincided with the transmission of the series on Sky Arts and Sky channels. With weekly viewer figures for the programme exceeding one million this represents considerable coverage and media presence for the museum. The exhibition attracted 6,700 visitors and contributed to a strong final month (of over 40,000 visitors) for the 2016–17 financial year.

Several smaller displays, for example, a presentation of the restoration required for a William Kent chair, a display explaining the analysis of arms and armour using neutron defraction, an exhibition and gallery trail featuring Ovid's *Metamorphoses* and open furniture month, all provided content for further media coverage including the production of short films distributed through the museum's website and social media networks.

The year has seen unique website visits remain above 600,000 visits with the total of combined 'followers' on Instagram, Facebook and Twitter growing by nearly 50% from 95,065 to 141,197.

Various audience development projects continue to take place and the summer of 2016 saw a new partnership develop with the City Music Foundation which had a week-long residency that provided free lunchtime concerts given by exceptionally talented musicians at the beginning of their professional careers as soloists and ensemble performers. A total of over 500 people attended these concerts, many of whom were first-time visitors to the museum.

In addition, Friday 'Lates', concerts and a full programme of public classes, tours, lectures and workshops extended the reach and demographic of our visitors with over 4,500 attending these activities during the year.

The Wallace Collection Annual Report and Accounts 2016-17

Education and Community

Overall, for the financial year 2016-17 the number of school sessions taking place at the museum increased by just over 5% on the previous year (from 453 sessions to 477 sessions), but with a corresponding 11% increase in pupils taking part in workshops (from 9,339 in 2015-16 to 10,374 in 2016-17). As the visitor figures for the museum as a whole are slightly down on last year, the increases reported by the Education department are noteworthy.

The museum continues to offer free workshops to schools with creative activity at the centre of our provision. The annual Takeover Day, when pupils of the nearby St Vincent's Catholic Primary School, Marylebone work alongside museum undertaking duties included joining the Front of House team, welcoming visitors, dealing with enquiries, giving directions, working in the museum shop restocking shelves, pricing products and serving customers and presenting the Highlights tour of the Collection to the general public.

From a myriad of activities it is difficult to select highlights, however, a small sample of the work undertaken during the year is listed below:

- **Works Like People II**
Over the summer the community programme ran several activities with local community groups at the GP surgeries involved in the Paintings in Hospitals/Works Like People II (Tom Ellis) project. We worked with a group of older people with dementia at the Victoria medical centre where the participants created animal drawings inspired by both Tom Ellis's painting in the centre and animals found in Wallace Collection objects. We also worked with the Bromley by Bow Centre's community group 'The people group' who have become a steering group for the project. Their contributions during sessions have helped to form the interpretation panel and A5 information sheet for all of the works of art across the four GP sites involved in the project.
- **ARCHES**
The Department has joined an exciting 3 year EU funded project called ARCHES, which involves six museums from across Europe working alongside technology companies and university researchers. The main objective of ARCHES (*Accessible Resources for Cultural Heritage EcoSystems*) is to generate more inclusive environments at museums and cultural heritage sites, so that people with differences and difficulties associated with perception, memory, cognition and communication can easily access and understand art. To this end, ARCHES brings together three key aspects: a participative research methodology, the reuse of available digital resources and the development of innovative technologies. The participative research methodology will allow the target group themselves to be at the core of the design and development chain. To make the interaction of end users easier, friendly and intuitive, tools will be developed, including an online software platform, applications for smartphones and tablets and on-site multisensory activities. Image processing techniques, augmented reality, sign languages with avatars, 3D reproductions of paintings, relief printer and other cutting-edge technologies will be used. This research and development project has been selected to be partially funded by the European Commission under the Horizon 2020 programme.

This remarkably interdisciplinary project will be coordinated by the Spanish company Treelogic with the collaboration of another twelve entities from four European countries:

- University of Bath (United Kingdom)
- The Open University (United Kingdom)
- Signtime (Austria)
- ArteConTacto (Austria)
- Museo de Bellas Artes de Asturias (Spain)

The Wallace Collection Annual Report and Accounts 2016-17

- Coprix Media (Serbia)
 - VRVis Zentrum für Virtual Reality und Visualisierung Forschungs (Austria)
 - Kunst Historisches Museum Wien (Austria)
 - The Wallace Collection (United Kingdom)
 - Museo Thyssen-Bornemisza (Spain)
 - Museo Lázaro Galdiano (Spain)
 - Victoria & Albert Museum (United Kingdom)
-
- SEN project with Westminster Schools
In June, we undertook a four-day project with the two SEN (Special Educational Needs) schools located in the borough of Westminster – Queen Elizabeth II Jubilee School and College Park School. The students at both schools have complex learning needs, ranging from profound and multiple learning difficulties (PMLD) to Autism (ASD) and Behavioural, Emotional and Social Difficulties (BESD). The project – part funded by Westminster DFAS – aimed to allow pupils at both schools to find meaningful connections with the Wallace Collection and with the stories it tells by exploring our art work through touch, sight, hearing and smell. We used the paintings of Watteau and his contemporaries as well as a painting of Venice, all showing the colourful characters of the *Commedia dell'arte* as our starting point. Two days were spent at College Park School and two days at QEII (one day each for primary and secondary pupils at each school). The students were introduced to these works of art using a multi-sensory approach. Music played an important part in both creating mood and evoking atmosphere and some students were able to contribute to songs and soundscapes inspired by the works of art. The project was documented by photographer Jayne Lloyd. A selection of these photographs was exhibited at the schools. A workshop was delivered to every class in each school, meaning that every SEN pupil enrolled in Westminster Special Schools – some two hundred pupils - took part in the project.
-
- Refugee Week Family Day
As part of National Refugee Week celebrations, we hosted a very special family day at the Museum. Visitors (including, but not limited to, refugees and their families) were able to take part in art activities and go on tours led by our refugee tour guides. The event itself was curated by our refugee tour guides who both designed the activities and sourced the food and refreshments for everyone. The aim of Refugee Week is to celebrate the contribution of refugees to the UK and to promote a better understanding of why people seek sanctuary. At this crucial point in time, we believe it is even more important than ever to be involved in this festival.
-
- Wallace Youth
Throughout the year this group of young people (the Wallace Collection's youth panel) have undertaken a variety of projects including ;
 - a filming project with Chocolate Films and Tom Ellis, in preparation for his exhibition opening in September.
 - a large scale, after hours event for 14-18 year olds, planned, marketed and delivered by the group . The Wallace Youth members started researching and planning their Private View in April 2016. Several of them attended the *BP Portrait Award: Next Generation Young People's Private View* at the National Portrait Gallery in August, which was a real source of inspiration and gave them a sense of what would work at their own event. Monthly meetings followed to formulate the programme of activities and the marketing campaign for the event. The event took place on the Wallace Collection's ground and lower ground floors.
Upon arrival, participants were handed a programme inviting them to do sketching in the galleries, to add their mark to a painting wall in the education studio, or to make their own badge in the Tom Ellis exhibition. Artist Tom Ellis gave a talk in the exhibition galleries, and guests could also attend three spotlight talks given by Wallace Youth about their favourite object in the collection. A musical band formed

The Wallace Collection Annual Report and Accounts 2016-17

of two Wallace Youth panel members played several sets throughout the evening in the Front State Room. The two films created by the Wallace Youth for the Tom Ellis exhibition were also screened on a loop in the Lecture Theatre. The Courtyard restaurant was central to the evening, animated with a special playlist made by Wallace Youth, a Polaroid station, and sweets were offered at a pick’N’mix bar. Mocktails and tapas were served throughout the night by the restaurant staff. The Museum was thrilled with how the event went. This is an age group that is notoriously difficult to get into museums and galleries and to have 150 teenagers in the building enjoying themselves and engaging directly with the art was a big triumph. We hope that this will be an annual event. A special thank you needs to be given to Lloyds Banking Group, without whose support none of this would have been possible.

- **Art History Link Up**

By offering a free Art History AS level to state school students, ten students completed the course and were entered for AS examination - the majority are BAME and/or from widening participation backgrounds. Six of the current students are planning to study art history and architecture in further or higher education as a result of taking the fast-track course. Colleagues at The British Museum, The National Gallery, The Courtauld Institute of Art, The Victoria & Albert Museum and Birkbeck’s History of Art department, University of London, have also kindly supported this initiative and as a result the students say they feel welcome and at home in these institutions and considering careers in the sector. These are wonderful outcomes and we are very proud of helping to give these students potentially life-changing opportunities.

Events and Corporate Membership

2016-17 was a successful year for corporate event hire but during the year there were periods of uncertainty particularly during the summer pre and post the referendum in June. A strong recovery during the second half of the year and the decision to focus on event hire rather than corporate membership resulted in the department exceeding its target for the year. 76 events were delivered during the year and a review and accreditation of suppliers was also completed. The team are to be complimented on their tireless efforts and professionalism throughout a demanding and often uncertain year.

Retail

A Retail Strategy was approved by the Trustees and 2016-17 has seen the beginnings of its implementation. The need to increase the conversion rate of visitor to shop customer and the average spend per customer has been central to the strategy. A redesign and refit of the shop was approved and has subsequently been completed. The initiatives taken towards the end of the financial year are expected to produce improved results in 2017-18. The new shop design not only offers a better lighting solution, storage space and greater selling space per square footage, but we are now far more access friendly with lower units and larger ‘free spaces’ for visitors to circulate around the shop.

Gallery Team

The Gallery Team continue to perform an important role in the engagement of the museum with its visitors. There have been no significant gallery or room closures during the year and the team continue to be welcoming, informative and engaging. The value of ‘word of mouth’ recommendation by visitors is understood by the team and their contribution to this interaction is positively encouraged.

The Wallace Collection Annual Report and Accounts 2016-17

Wallace Restaurant and Café

In October 2016, Peyton and Byrne was taken over by Sodexo Limited. This unexpected change and the following transitional period had an impact on some aspects of the catering activities but thankfully there has been no break in service for visitors. It is possible that under new management there are opportunities to improve the profitability of the restaurant and café but meanwhile the recently agreed Key Performance Indicators are being monitored. The overall financial contribution to the Wallace Collection was lower than budgeted for 2016-17 and new initiatives, notably the marketing of Friday and Saturday evenings have been put in place for the coming year.

Progress against the Ten Year Plan

The objective of the museum being welcoming, accessible and inspirational, whilst promoting our core areas to a diverse audience and encouraging learning is central to the thinking and work of the Public Engagement department. 2016-17 has seen further progress against this objective notably:

- The museum's Access Committee continues to update and implement its Action Plan. The year has seen the introduction of guidelines for labelling and signage incorporated into the house style and brand guidelines, and disability awareness training given to all staff.
- The museum is taking part in a three-year EU Horizon 2020 funded project titled ARCHES (as detailed on page 12)
- The museum has reviewed its Equality policy and further work has been undertaken to formulate and review the Action Plan to support this policy.
- Audience development projects have continued throughout the year with further 'Lates' targeted at specific communities e.g. LGTB, a series of concerts included a partnership with the City Music Foundation that has demonstrably reached a new audience, further collaboration with Sky Arts in the broadcast of the heats for Portrait Artist of the Year 2017 competition from the Wallace Collection and the hosting of an exhibition of the winning works, and several other smaller projects linked to museum displays and works of art e.g. performances and trails of art works inspired by Ovid's *Metamorphoses*.
- The museum's Learning programme continues to offer a broad range of activities aimed to engage with a younger audience/visitor and to broaden the demographic of our visitors. The work and impact of our Wallace Youth and Young Curators programme continues, along with regular events such as the annual Takeover Day – now in its fifth year – co-ordinated with Kids in Museums and this year saw the Wallace Collection actively delivering and supporting the move to continue the teaching of Art History AS and A level in schools.
- The 2016-17 Public Programme of events, workshops, lectures, talks and classes has attracted over 21,000 participants and in addition the Community programme has reached close to another 3,000 participants. Through these activities many people, both as individuals and in groups, have visited the museum for the first time with these programmes being designed to be as accessible, varied, inclusive and engaging.

Infrastructure and Finance

The infrastructure and finance functions of the museum are supported by the Building and Projects, Security, Finance, Human Resources and IT teams. During the year, the Security Team continued to work with colleagues in the Gallery Team to ensure the security of the Collection, visitors and staff.

The Wallace Collection Annual Report and Accounts 2016-17

Progress against the Ten Year Plan

The Ten Year Plan objective that falls in this section is a museum with an up-to-date infrastructure and with sufficient space for its collections, visitors, staff and activities.

Work continued on the programme of electrical testing. Repairs were made to the roof and some of the plant and machinery was refurbished.

An upgrade to the IT cabling infrastructure was completed and the servers moved to a more suitable location. A new connection to the internet was installed and preparatory work on a new telephone system undertaken.

Energy efficiency measures continued to be implemented including the installation of more LED lighting.

The Wallace Collection Annual Report and Accounts 2016-17

Financial Review

Financial results

The museum launched an endowment fund in 2015-16 and continued to build the fund in 2016-17 with further donations of £2.333m. The endowment is a permanent one from which the museum can use the income to support its unrestricted and restricted activities.

The largest source of income was Grant-in-Aid from the Department for Culture, Media and Sport. At £2.711m (2015-16: £2.791m) this represented 43% of the group's non-endowment income for the year (2015-16: 49%).

Other donations reached £1.897m, an increase on the previous year's total of £1.248m. The main reason for the increase was pro bono donations of consultancy support and investment advice which had total value of £585,000.

Trading income fell to £1.367m from £1.568m in 2015-16.

Expenditure increased from £6.158m in 2015-16 to £6.932m. The main reason for the increase was the receipt of pro bono support of £585,000 in 2016-17 compared with £nil the previous 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.)

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 was 16.45%. The income return was 3.44% and the capital return was 12.68%. The total return exceeded the target of UK RPI plus 3% which was 6.23% in 2016-17. The income yield target of 3% was also exceeded.

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 2017 of £1.648m (2015-16: £1.553m) represents cover of approximately three months, as in 2015-16.

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

The Wallace Collection Annual Report and Accounts 2016-17

Payment of creditors

During 2016–17, the Wallace Collection paid 89% of undisputed creditors within 30 days of receipt of an invoice (2015–16: 92%).

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:

		2016-17	2015-16
Key performance indicators:			
	Number of visits to the museum	419,202	426,703
	Charitable giving (fundraising)	£4,230,000	£5,583,000
Other performance indicators:			
Access			
	Number of unique website visits	610,053	611,587
Audience profile			
	Number of visits by children under 16	21,687	22,569
	Number of overseas visits	167,302	157,880
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	10,374	10,276
	Number of instances of visitors under 18 participating in on site organised activities	11,578	10,442
Visitor satisfaction			
	% of visitors who would recommend a visit	91	90
	% of visitors who were very satisfied with their visit	91	94
Self generated income			
	Trading income (net profit)	£525,000	£553,010

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.

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

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

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of 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

The Wallace Collection Annual Report and Accounts 2016-17

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), as this is an entirely separate organisation over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection's consolidated accounts for the year 2016-17. 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.

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.

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.

Sickness absence

Sickness absence accounted for 3.74% of all staff time during 2016–17 (2015–16: 1.96%), or 9.46 days per staff member (2015–16: 4.97 days). The management of sickness absence is a priority during the coming year.

Dr Xavier Bray
Director and Accounting Officer

6 July 2017

António Horta-Osório
Chairman

6 July 2017

The Wallace Collection Annual Report and Accounts 2016-17

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 (2015-16: £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	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Dr Christoph Vogtherr Director (until 30 September 2016)	40-45 (Full year 85-90)	85-90	10-15	10-15	19	37	75-80	140-145
Dr Xavier Bray Director (from 31 October 2016)	35-40 (Full year 85-90)	-	-	-	15	-	50-55	-
Derek Purnell Director of Public Engagement	60-65	60-65	-	-	-	-	60-65	60-65
Sarah Harmer Director of Development	65-70	65-70	-	-	-	-	65-70	65-70
David Edgar Director of Finance and Operations	60-65	50-55 (Full year 60-65)	-	-	24	21	85-90	75-80

Derek Purnell was Acting Director from 23 September to 30 October 2016 and during this period his salary was in the band £80,000 to £85,000.

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 2016-17 (2015-16: £74,253).

No senior managers were employed through an agency in 2016-17 (2015-16: £16,836).

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

The Wallace Collection Annual Report and Accounts 2016-17

	Accrued pension at pension age as at 31 March 2017 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2017 £000	Cash equivalent transfer value at 31 March 2016 £000	Real increase in CETV £000
Dr Christoph Vogtherr Director (until 30 September 2016)	10-15	0-2.5	209	196	9
Dr Xavier Bray Director (from 31 October 2016)	0-5	0-2.5	8	-	6
David Edgar Director of Finance and Operations	0-5	0-2.5	39	18	16

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 £85,000 to 90,000 (2015-16: £100,000-105,000). This was 4.29 times the median remuneration of the workforce (2015-16: 5.10 times). The median total remuneration of the workforce in the current financial year was £20,402 (2015-16: £20,200). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. The change in banded remuneration between years arises from the payment of a bonus during the prior year to the previous Director. This change is the primary reason for the fall in the multiple of median remuneration represented by the Director's remuneration.

The Director's performance-related bonus of up to 15% of salary is decided by the Remuneration Committee, which consists of the Chairman, plus the Trustee members of the audit committee (Annex A), and is based on the restrictions of the Director's contract and against achievement of annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated.

The Wallace Collection Annual Report and Accounts 2016-17

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

The Wallace Collection Annual Report and Accounts 2016-17

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted show pension earned in 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

6 July 2017

António Horta-Osório
Chairman

6 July 2017

The Wallace Collection Annual Report and Accounts 2016-17

Statement of Trustees' and Accounting Officer's Responsibilities

Under Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of 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 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

6 July 2017

António Horta-Osório
Chairman

6 July 2017

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

The Wallace Collection Annual Report and Accounts 2016-17

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 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 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 and life over the previous quarter, and form a useful basis for Trustee discussions. The Trustees are happy with the quality and layout of these reports and provide feedback to ensure that they remain an excellent source of information and data.

The 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.

The Wallace Collection Annual Report and Accounts 2016-17

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 Director of Public Engagement, Director of Finance and Operations, and Head of Fundraising. Each is supported by a number of department heads who are responsible for specific areas of activity within the museum. The Senior Management Team meets once a fortnight 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.

Appointment of a new Director

Dr Christoph Vogtherr resigned as Director and Accounting Officer with effect from September 2016 to take up a new post as Director of the Hamburger Kunsthalle. Dr Xavier Bray, previously Chief Curator at the Dulwich Picture Gallery, was appointed as Director and Accounting Officer and joined the Wallace Collection on 31 October 2016. The timing of the appointment allowed for a number of handover meetings with the outgoing Director and allowed the new Director to satisfy himself that all of the Accounting Officer duties had been satisfactorily performed during the first six months of the year. Handover meetings also took place between the Acting Director for the period between the two Directors, Derek Purnell, and the new Director on his arrival which provided him with similar assurance about the performance of the Accounting Officer duties during the interim period. He is furthermore satisfied that his Accounting Officer duties have been satisfactorily met up to the date of this report.

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2017, 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.

The Wallace Collection Annual Report and Accounts 2016-17

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 2015-16 and on planning for the 2016-17 audit. The internal auditor reported to the Committee on his findings. 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 2015-16 under review. In carrying out its work, it received professional advice from investment advisors.

Risk

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

The Senior Management Team (SMT) including the Director, are 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 out in the Ten Year Plan and the Achievements and Performance section of this report sets out 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 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 2016–17 have continued to be:

- Managing the impact of increasing visitor numbers whilst improving their understanding of the Collection;

The Wallace Collection Annual Report and Accounts 2016-17

- 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.

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.

Data handling

The Wallace Collection has suffered no protected personal data incident during 2016–17 or prior years and has made no such report to the Information Commissioner's office.

Dr Xavier Bray
Director and Accounting Officer

6 July 2017

António Horta-Osório
Chairman

6 July 2017

The Wallace Collection Annual Report and Accounts 2016-17

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	-	3/4
Professor Frances Corner OBE	13 September 2009; reappointed 13 September 2013		2/4
Sir Hugh Roberts GCVO, FSA	6 January 2013 for five years	-	3/4
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	-	4/4
Rupert Hambro CBE	7 January 2013–Mandate ended 6 January 2017	Member of the Audit Committee until 6 January 2017 (1/1)	3/4
Timothy Schroder	6 January 2013 for five years	-	3/4
Jemima Rellie	9 January 2017		1/1
Marilyn Berk	9 January 2017		1/1
Eric Ellul	9 January 2017		1/1
Dounia Nadar	9 January 2017		1/1

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 and Martin James, in addition to the Trustees who are members.

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

The Wallace Collection Annual Report and Accounts 2016-17

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

Dr Christoph Vogtherr	Director (until 30 September 2016)
Dr Xavier Bray	Director (from 31 October 2016)
Sarah Harmer	Director of Development
Derek Purnell	Director of Public Engagement
David Edgar	Director of Finance and Operations

Directors of Hertford House Marketing Limited during the year

Dr Christoph Vogtherr (until 30 September 2016)
Dr Xavier Bray (from 31 October 2016)
Dr David Edgar

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

The Wallace Collection Annual Report and Accounts 2016-17

Annex B - Wallace Collection Endowment Donors and Benefactors 2016–17

The list below gratefully acknowledges all of those who have generously supported the Wallace Collection from 1 April 2016 to 31 March 2017.

Donors to the Wallace Collection Endowment

£1 million and above

The Monument Trust

£500,000 and above

Lionel and Ariane Sauvage

£100,000 and above

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

£10,000 and above

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

And

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

Benefactors of the Wallace Collection

Hertford Circle (£10,000 per annum)

Colette and Philip Hubbard
Jake and Hélène Marie Shafran

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

Kate de Rothschild Agius and Marcus Agius

Lady Alexander of Weedon
Ms Nada Bayoud and Mr Andrew Wynn
Alex Bouzari
Dame Vivien Duffield
Hon Simon Eccles
Lord and Lady Lupton
Mr and Mrs Nadar
Roslyn Packer AC
Pamela Roditi
Adrian Sassoon
Carolyn Townsend
Jack Verhoeven
Arend and Cecilia Versteegh

Patrons (£1,250 per annum)

Julian Agnew
Bruce Bossom
Mrs Charles H Brown
Ian Butchoff
Peter and Sally Cadbury
Christopher Clarke
Oliver and Cynthia Colman
Rima Connelly
Tomasso Crackett
Mrs M. David-Weill
Jolanta Devlin
Ms Jennifer Eady Q.C.
Nicholas and Gillian Eeley
Mrs R. J. Elliott
Mary and Symon Elliott
Phil and Lucy Elder
Lt Cdr Paul Fletcher
Sam Fogg
Mrs Joscelyn Fox
John and Patricia Glasswell
Alice Goldet and Olivier Bourgois
Mr and Mrs Rupert Hambro CBE
Mrs Katrin Henkel
Lady Heseltine
Joanna Hewitt
Hugh Hudson-Davis
Russell and Irina Jacobs
James and Clare Kirkman
David Lawson
Mark and Liza Loveday
Molly Lowell and David Borthwick
Richard Mansell-Jones
Hugh and Victoria Merill
Simon and Midge Palley

The Wallace Collection Annual Report and Accounts 2016-17

The Lord and Lady Phillimore
Charles and Caroline Pridgeon
Jessica Pulay
Timothy and Ellen Schroder
Mr and Mrs Nick Silver
Anthony and Jacqueline Todd
The Tsukanov Family Foundation
Mark and Caroline van Oss
Bruno Wang
Alan and Sue Warner

Companions (£600 per annum)

Viscountess Bridgeman, The Bridgeman Art
Library

D. S. Casstles
Charles Cator
The Marquess of Cholmondeley
Ms Miel de Botton
Dr Jutta M. Davis
Alexander and Susan de Mont
Mr Patrick K. F. Donlea FCA
Giles Ellwood
Mrs Annie Mackeson-Sandbach
Jennifer Montagu
In memory of the A V B Nick Norman
Matthew Olley
Christylle Philips
Jane Wainwright
Patricia Wengraf Ltd

Annex C - Wallace Collection Other Donors and Supporters 2016–17

Individual Supporters

Kate de Rothschild Agius and Marcus Agius
Gretha Arwas
Richard and Mara Aylmer
Christopher and Cynthia Bake
Mr James and Lady Emma Barnard
Ms Nada Bayoud and Mr Andrew Wynn
Matthew J Benson
Mauricio and Carlota Botton
Susan and John Burns
Mr and Mrs Nicolas Cattelain
Guggenheim Investments
Egon Zehnder
Lucy and Phil Elder
Mr and Mrs R.J. Elliott
Giles Ellwood and Philippe Sacerdot
Christopher French and Ghizlan El Glaoui
Goldman Sachs Matching Gift Programme
Jesús Gómez-Salas
Anthony Gordon Lennox
Russell and Irina Jacobs
Karim and Sara Khairallah
Korn Ferry
LJ Partnership Foundation
Clare McKeon
Bank of America Merrill Lynch
Mr and Mrs Nadar
Christopher and Sophie North
Sir Christopher Ondaatje
Jim O’Neil OBE
The Lord and Lady Phillimore
Jessica Pulay
Sir John Ritblat and Family
Roland Rudd
Jacques and Iman de Saussure
David A Sayer
Bruno L Schroder
Jake and Hélène Marie Shafran
Mr and Mrs Nick Silver
Mr David Sproul
Charlotte and Dennis Stevenson
Robert Stirling
Bryan Taylor
Sir David and Lady Verey
Mrs Mary Weston

Trusts and Foundations

The H. B. Allen Charitable Trust
The John Armitage Charitable Trust
The Art Fund and the Jonathan Ruffer
Curatorial Fund
The Belvedere Trust
The Blunt Trust
The Elizabeth Cayzer Charitable Trust
The EU ARCHES Project
The City Bridge Trust
The John S Cohen Foundation
The Excel Fund
The Goldsmith’s Company
The Leverhulme Trust
The Monument Trust
The N.J.T. Foundation
The Ofenheim Charitable Trust
Prudential plc
The Radcliffe Trust
The Wallace Collection Foundation
The Garfield Weston Foundation
The Lord Leonard and Lady Estelle Wolfson
Foundation

Legacy Gifts to the Collection

The Estate of Stanley Gordon Clarke
The Estate of Ingeborg Bratman

The Wallace Collection Annual Report and Accounts 2016-17

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
Michele Beiny-Harkins
Susan Bloomberg
The Deborah Loeb Brice Foundation
Robert de Rothschild
Lawrence and Marilyn Friedland
The Philip and Irene Toll Gage Foundation
Lady Gilda Gourlay of Kincaig

Nancy L. and William P. Hallman, Jr
Dale and Elizabeth Hemmerdinger
Whitney and Elizabeth MacMillan
Diane A. Nixon
Jim and Debbie Norling
Christopher and Sophie North
John Watson and Betsy Blackwell

And all those who wish to remain anonymous

The Collection also thanks the Friends of the Wallace Collection.

The Wallace Collection Annual Report and Accounts 2016-17

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 2017 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Director as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Wallace Collection's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Wallace Collection; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Wallace Collection's affairs as at 31 March 2017 and of its net income/(expenditure) for the year then ended; and

The Wallace Collection Annual Report and Accounts 2016-17

- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

12 July 2017

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

The Wallace Collection Annual Report and Accounts 2016-17

Consolidated Statement of Financial Activities for the year ended 31 March 2017

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2016-17 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2015-16 £000
Income and endowment funds from:									
Donations and legacies	2	1,352	545	2,333	4,230	699	549	4,335	5,583
Grant-in-Aid	2	2,711	-	-	2,711	2,791	-	-	2,791
Charitable activities	3	118	-	-	118	81	-	-	81
Other trading activities	15	1,367	-	-	1,367	1,568	-	-	1,568
Investments	4	82	102	-	184	20	38	-	58
Total		5,630	647	2,333	8,610	5,159	587	4,335	10,081
Expenditure on:									
Raising funds									
Fundraising	5	438	-	-	438	234	42	-	276
Marketing and design	5	324	-	-	324	289	12	-	301
Trading: cost of goods sold and other costs	15	785	-	-	785	958	-	-	958
Charitable activities									
Conservation	5	219	97	-	316	194	71	-	265
Collections		1,010	342	-	1,352	948	272	-	1,220
Security		1,604	-	-	1,604	1,306	-	-	1,306
Building and maintenance		1,338	775	-	2,113	1,115	717	-	1,832
Total		5,718	1,214	-	6,932	5,044	1,114	-	6,158
Net gains/(losses) on investments	8c	-	-	632	632	-	-	32	32
Net income/(expenditure)	7	(88)	(567)	2,965	2,310	115	(527)	4,367	3,955
Transfers between funds	13	-	-	-	-	-	-	-	-
		(88)	(567)	2,965	2,310	115	(527)	4,367	3,955
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		191	1,365	-	1,556	73	698	-	771
Net movement in funds		103	798	2,965	3,866	188	171	4,367	4,726
Reconciliation of funds									
Total funds brought forward		5,834	41,478	4,367	51,679	5,646	41,307	-	46,953
Total funds carried forward	13	5,937	42,276	7,332	55,545	5,834	41,478	4,367	51,679

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 41 to 53 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2016-17

Collection Statement of Financial Activities for the year ended 31 March 2017

	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2016-17 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2015-16 £000
Income and endowment funds from:								
Donations and legacies	1,880	545	2,333	4,758	1,257	549	4,335	6,141
Grant-in-Aid	2,711	-	-	2,711	2,791	-	-	2,791
Charitable activities	118	-	-	118	81	-	-	81
Other trading activities	530	-	-	530	657	-	-	657
Investments	81	102	-	183	20	38	-	58
Total	5,320	647	2,333	8,300	4,806	587	4,335	9,728
Expenditure on:								
Raising funds								
Fundraising	438	-	-	438	234	42	-	276
Marketing and design	324	-	-	324	289	12	-	301
Trading	476	-	-	476	601	-	-	601
Charitable activities								
Conservation	219	97	-	316	194	71	-	265
Collections	1,010	342	-	1,352	947	272	-	1,219
Security	1,604	-	-	1,604	1,306	-	-	1,306
Building and maintenance	1,338	775	-	2,113	1,116	717	-	1,833
Total	5,409	1,214	-	6,623	4,687	1,114	-	5,801
Net gains/(losses) on investments	-	-	632	632	-	-	32	32
Net income/(expenditure)	(89)	(567)	2,965	2,309	119	(527)	4,367	3,959
Transfers between funds	-	-	-	-	-	-	-	-
	(89)	(567)	2,965	2,309	119	(527)	4,367	3,959
Other recognised gains/(losses):								
Gains/(losses) on revaluation of fixed assets	191	1,365	-	1,556	73	698	-	771
Net movement in funds	102	798	2,965	3,865	192	171	4,367	4,730
Reconciliation of funds								
Total funds brought forward	5,813	41,478	4,367	51,658	5,621	41,307	-	46,928
Total funds carried forward	5,915	42,276	7,332	55,523	5,813	41,478	4,367	51,658

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 41 to 53 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2016-17

Balance Sheet at 31 March 2017

	Notes	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Fixed assets					
Tangible assets	8a	46,272	45,532	46,269	45,527
Heritage assets	8b	82	82	82	82
Investments	8c	7,326	4,215	7,326	4,215
		<u>53,680</u>	<u>49,829</u>	<u>53,677</u>	<u>49,824</u>
Current assets					
Stock		299	286	120	156
Debtors	9	433	444	496	684
Cash at bank and in hand	14	1,862	1,686	1,612	1,358
		<u>2,594</u>	<u>2,416</u>	<u>2,228</u>	<u>2,198</u>
Liabilities					
Creditors					
Amounts falling due within one year	10a	(667)	(479)	(382)	(314)
Net current assets		<u>1,927</u>	<u>1,937</u>	<u>1,846</u>	<u>1,884</u>
Total assets less current liabilities		55,608	51,766	55,523	51,708
Creditors					
Amounts falling due after more than one year	10b	(63)	(87)	-	(50)
Net assets	12	<u>55,544</u>	<u>51,679</u>	<u>55,523</u>	<u>51,658</u>
Represented by:					
Unrestricted funds					
Designated funds	13	3,044	3,203	3,044	3,203
Unrestricted revaluation reserve	13	1,257	1,078	1,257	1,078
General funds	13	1,636	1,553	1,614	1,532
		<u>5,937</u>	<u>5,834</u>	<u>5,915</u>	<u>5,813</u>
Restricted funds					
Restricted income funds	13	34,753	35,342	34,753	35,342
Restricted revaluation reserve	13	7,523	6,136	7,523	6,136
		<u>42,276</u>	<u>41,478</u>	<u>42,276</u>	<u>41,478</u>
Total income funds		48,213	47,312	48,191	47,291
Endowment fund	13	7,332	4,367	7,332	4,367
Total funds	13	<u>55,545</u>	<u>51,679</u>	<u>55,523</u>	<u>51,658</u>

Dr Xavier Bray
Director and Accounting Officer

6 July 2017

António Horta-Osório
Chairman

6 July 2017

The notes on pages 41 to 53 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2016-17

Consolidated Statement of Cash Flows for the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	14	<u>213</u>	<u>309</u>
Cash flows from investing activities:			
Dividends and interest from investments	4	184	58
Purchase of property, plant and equipment	8a	(76)	(197)
Purchase of investments	8c	(4,815)	(4,182)
Sale of investments	8c	2,336	-
Net cash provided by (used in) investing activities		<u>(2,371)</u>	<u>(4,321)</u>
Cash flows from financing activities:			
Receipt of endowment	2	2,333	4,335
Net cash provided by (used in) financing activities		<u>2,333</u>	<u>4,335</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents at beginning of the year		<u>1,686</u>	<u>1,364</u>
Cash and cash equivalents at end of the year		<u>1,861</u>	<u>1,686</u>

The notes on pages 41 to 53 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2016-17

Notes to the financial statements for the year ended 31 March 2017

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 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 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.

Income relating to future periods is counted as deferred and recognised in the year to which it relates.

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.

Where expenditure relates to future exhibitions the costs are deferred and recognised in the year the exhibition opens.

Grants payable are recognised when a grant has been approved and this has been communicated to the recipient.

Support costs are apportioned between activities on the bases 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 2016-17

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 25 years (refurbishment projects).

Assets under construction are capitalised and not depreciated until they come into use. At that point they are transferred into other categories of asset and depreciated 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 2016-17

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 2016-17

2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2016-17 £000	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2015-16 £000
Donations	1,352	420	2,333	4,105	699	303	4,335	5,337
Other capital income	-	125	-	125	-	246	-	246
	<u>1,352</u>	<u>545</u>	<u>2,333</u>	<u>4,230</u>	<u>699</u>	<u>549</u>	<u>4,335</u>	<u>5,583</u>

Unrestricted donations include £570,000 of pro bono consultancy support and £15,000 of pro bono investment advice (2015-16 £nil). The matching expenditure has been included in support costs for the consultancy support and fundraising costs for the investment advice.

Grant-in-Aid of £2,711,000 (2015-16 £2,791,000) was received from the Department for Culture, Media and Sport of which £287,000 (2015-16 £327,000) was for capital purposes.

3. Income from charitable activities

	2016-17 Unrestricted £000	2015-16 Unrestricted £000
Study days and art activities	42	41
Tours and filming	41	28
Miscellaneous other income	<u>35</u>	<u>12</u>
	<u>118</u>	<u>81</u>

4. Income from investments

	Unrestricted £000	Restricted £000	Total 2016-17 £000	Unrestricted £000	Restricted £000	Total 2015-16 £000
UK investment funds	36	46	82	15	30	45
Fixed interest bonds	9	12	21	-	-	-
UK equities	22	29	51	1	1	2
Overseas equities	10	13	23	1	-	1
Infrastructure and property	1	2	3	-	-	-
Interest receivable	4	-	4	3	7	10
	<u>82</u>	<u>102</u>	<u>184</u>	<u>20</u>	<u>38</u>	<u>58</u>

5. Expenditure

	Direct costs	Support costs	Deprec- iation	Total 2016-17	Direct costs	Support costs	Deprec- iation	Total 2015-16
Raising funds								
Fundraising	352	86	-	438	234	42	-	276
Marketing and design	257	67	-	324	261	40	-	301
Trading	717	67	1	785	887	68	3	958
Charitable activities								
Conservation	252	64	-	316	230	35	-	265
Collections	1,089	263	-	1,352	1,076	144	-	1,220
Security	1,348	256	-	1,604	1,206	100	-	1,306
Building and maintenance	923	300	890	2,113	848	104	880	1,832
	<u>4,938</u>	<u>1,103</u>	<u>891</u>	<u>6,932</u>	<u>4,742</u>	<u>533</u>	<u>883</u>	<u>6,158</u>

The Wallace Collection Annual Report and Accounts 2016-17

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 2016-17, employers' contributions of £361,757 were payable to the PCSPS (2015-16: £360,276) 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 2016-17 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 £61,102 (2015-16: £50,704) 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 £5,388 (2015-16: £4,500). 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:

	2016-17	2016-17	2015-16	2015-16
	Headcount	Full-time equivalent	Headcount	Full-time equivalent
Director's Office	2.0	2.0	2.2	2.0
Conservation	5.0	5.0	5.4	5.3
Collections	20.4	18.6	18.7	16.7
Security and Gallery	57.4	45.3	52.5	43.3
Building and Maintenance	3.0	2.6	2.4	2.4
Fundraising	3.9	3.9	3.0	3.0
Marketing and Design	4.0	3.1	4.0	3.6
Trading	11.6	10.0	12.0	10.5
Finance, HR and IT	4.5	4.5	6.0	5.4
	<u>111.8</u>	<u>95.0</u>	<u>106.2</u>	<u>92.2</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2015-16: £nil). Expenses reimbursed to one Trustee (2015-16: one) for travel amounted to £163 (2015-16: £40).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2016-17	2015-16
	£000	£000
External audit fees: NAO	22	25
External audit fees: trading subsidiary auditors	7	8
Other fees: trading subsidiary auditors	3	1
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.

The Wallace Collection Annual Report and Accounts 2016-17

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 2016	42,182	6,117	854	19	49,172
Additions	-	47	27	2	76
Revaluation	1,427	205	-	-	1,632
Balance at 31 March 2017	43,609	6,369	881	21	50,880
Depreciation					
Balance at 1 April 2016	594	2,370	676	-	3,640
Charge for the year	621	230	40	-	891
Revaluation	28	49	-	-	77
Balance at 31 March 2017	1,243	2,649	716	-	4,608
Net book value					
Balance at 31 March 2017	42,366	3,720	165	21	46,272
Balance at 31 March 2016	41,588	3,747	178	19	45,532

The net book value at 31 March 2017 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	42,366	3,716	165	21	46,268
Trading activities	-	4	-	-	4
	42,366	3,720	165	21	46,272

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 2016	42,182	6,100	821	19	49,122
Additions	-	47	27	2	76
Revaluation	1,427	205	-	-	1,632
Balance at 31 March 2017	43,609	6,352	848	21	50,830
Depreciation					
Balance at 1 April 2016	594	2,358	643	-	3,595
Charge for the year	621	229	39	-	889
Revaluation	28	49	-	-	77
Balance at 31 March 2017	1,243	2,636	682	-	4,561
Net book value					
Balance at 31 March 2017	42,366	3,716	166	21	46,269
Balance at 31 March 2016	41,588	3,742	178	19	45,527

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.

The Wallace Collection Annual Report and Accounts 2016-17

8 b) Heritage assets

	2016-17 £000	2015-16 £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 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Market value at 1 April	4,215	-	4,215	-
Additions	4,815	4,182	4,815	4,182
Disposals	(2,336)	-	(2,336)	-
Net gain/(loss) on revaluation	632	33	632	33
Market value at 31 March	<u>7,326</u>	<u>4,215</u>	<u>7,326</u>	<u>4,215</u>
	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
At market value:				
UK investment funds	2,168	1,996	2,168	1,996
Fixed interest bonds	618	196	618	196
UK equities	2,439	915	2,439	915
Overseas equities	1,129	377	1,129	377
Infrastructure and property	200	107	200	107
Cash	772	624	772	624
	<u>7,326</u>	<u>4,215</u>	<u>7,326</u>	<u>4,215</u>
At cost	<u>6,653</u>	<u>4,182</u>	<u>6,653</u>	<u>4,182</u>

All investments are stated at fair value at 31 March 2017. 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 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Trade debtors	174	194	18	7
Other debtors	21	30	21	20
VAT debtors	42	19	128	70
Amount due from subsidiary	-	-	162	388
Prepayments and accrued income	196	201	167	199
	<u>433</u>	<u>444</u>	<u>496</u>	<u>684</u>

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

The Wallace Collection Annual Report and Accounts 2016-17

10a) Creditors: amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Trade creditors	169	126	102	115
Taxation and Social Security	103	96	103	96
Accruals	131	54	120	45
Deferred income	262	202	57	57
Other creditors	1	1	-	1
	<u>667</u>	<u>479</u>	<u>382</u>	<u>314</u>

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

	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Deferred income	<u>63</u>	<u>87</u>	<u>-</u>	<u>50</u>

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

	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Deferred income at 1 April	289	268	107	32
Released from previous year	(239)	(268)	(57)	(32)
Deferred in current year	<u>275</u>	<u>289</u>	<u>7</u>	<u>107</u>
Deferred income at 31 March	<u>325</u>	<u>289</u>	<u>57</u>	<u>107</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.

11. Provisions

	Group 2017 £000	Group 2016 £000	Collection 2017 £000	Collection 2016 £000
Provision at 1 April	-	120	-	120
Utilised in the year	-	(120)	-	(120)
Provision at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

A provision of £120,000 was made in 2014-15 in respect of redundancy costs and was calculated on the basis of statutory and contractual obligations. Payments in respect of the redundancy costs were made during 2015-16.

The Wallace Collection Annual Report and Accounts 2016-17

12. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2017 £000
Fixed assets	4,298	42,056	7,326	53,680
Current assets	2,318	270	6	2,595
Current liabilities	(617)	(50)	-	(667)
Liabilities due after one year	(63)	0	-	(63)
Total net assets	5,937	42,276	7,332	55,546

13. Consolidated statement of funds

	Balance at 1 April 2016 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2017 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,191	-	(195)	-	36	3,032
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,078	-	-	191	(12)	1,257
General funds	1,553	5,630	(5,523)	-	(24)	1,636
Total unrestricted funds	5,834	5,630	(5,718)	191	-	5,937
Restricted funds						
Capital reserve (c)	35,129	-	(696)	-	30	34,463
Heritage assets (d)	70	-	-	-	-	70
Revaluation reserve	6,136	-	-	1,365	22	7,523
Conservation projects (e)	-	151	(119)	-	(2)	30
Education fund (f)	3	156	(97)	-	-	62
Infrastructure fund (g)	84	51	(37)	-	(19)	79
Publication fund (h)	3	-	-	-	-	3
Archive and library fund (i)	33	93	(93)	-	-	33
Curatorial projects (j)	18	89	(95)	-	-	12
Collection Services fund (k)	-	33	(25)	-	(8)	-
Gallery refurbishment (l)	2	65	(43)	-	(23)	1
Educational and research fund (m)	-	9	(9)	-	-	-
Total restricted funds	41,478	647	(1,214)	1,365	-	42,276
Endowment fund	4,367	2,333	-	632	-	7,332
Total funds	51,679	8,610	(6,932)	2,188	-	55,545

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 to 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.

The Wallace Collection Annual Report and Accounts 2016-17

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

	Notes	2016-17 £000	2015-16 £000
Net income/(expenditure) for the year (as per the statement of financial activities)		(655)	(412)
Adjustments for:			
Depreciation charges	8a)	891	883
Dividends and interest from investments	4	(184)	(58)
(Increase)/decrease in stock		(13)	147
Decrease/(increase) in debtors	9	11	(92)
(Decrease)/increase in creditors	10	163	(39)
(Decrease)/increase in provisions	11	-	(120)
Net cash provided by (used in) operating activities		<u>213</u>	<u>309</u>
		Group	Group
		2017	2016
		£000	£000

Analysis of cash and cash equivalents

Cash in hand		<u>1,862</u>	<u>1,686</u>
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15. 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

	2016-17 £000	2015-16 £000
Turnover	1,367	1,568
Cost of sales	<u>(219)</u>	<u>(288)</u>
Gross profit	1,148	1,280
Administrative expenses	<u>(624)</u>	<u>(729)</u>
Operating profit	524	551
Interest receivable	<u>1</u>	<u>2</u>
Profit on ordinary activities before gift aid payment	<u>525</u>	<u>553</u>

The profit of £526,000 (2015-16 £553,00) was paid under gift aid to the Wallace Collection.

Reconciliation to the Consolidated Statement of Financial Activities

	2016-17 £000	2015-16 £000
Cost of sales	219	288
Administrative expenses	<u>624</u>	<u>729</u>
	843	1,017
Less: intercompany sales	<u>(58)</u>	<u>(59)</u>
Per Consolidated Statement of Financial Activities	<u>785</u>	<u>958</u>

Balance sheet

	2017 £000	2016 £000
Tangible fixed assets	4	5
Current assets	612	658
Current liabilities	(533)	(605)
Liabilities due after one year	<u>(63)</u>	<u>(37)</u>
Net assets	<u>20</u>	<u>21</u>
Share capital	-	-
Reserves	<u>20</u>	<u>21</u>
Net assets	<u>20</u>	<u>21</u>

The Wallace Collection Annual Report and Accounts 2016-17

16. Financial commitments

At 31 March 2017, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2017 £000	2016 £000
Not later than one year	11	11
Later than one year and not later than five years	11	8
Later than five years	2	-
Total	<u>24</u>	<u>19</u>

Hertford House Marketing Limited has no such financial commitments.

17. 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 43% (2015-16: 49%) of the museum's non-endowment income was provided as Grant in Aid from the Department for 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 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 £4,000 (2015-16 restated: £10,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

18. Capital commitments

At 31 March 2017, capital expenditure commitments were as follows:

	2017 £000	2016 £000
Authorised by the Trustees and contracted for	<u>-</u>	<u>-</u>

19. Related party transactions

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

The Wallace Collection Annual Report and Accounts 2016-17

19. Related party transactions (continued)

Related party	Nature of relationship	Grants or	Purchases
		received	
		£000	£000
Imperial War Museum	DCMS funded body	-	1
Wallace Collection Foundation (formerly Hertford House Trust)	The Director (Dr Christoph Vogtherr to 30 September and Dr Xavier Bray from 30 October 2016) is an ex officio trustee* of the Wallace Collection Foundation.	160	-
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 is a corporate member (via the Wallace Collection's trading subsidiary).
Wallace Collection Foundation (formerly Hertford House Trust)	António Horta-Osório is an ex officio trustee* of the Wallace Collection Foundation. * With reduced voting rights	160	-
Exbury Gardens Limited	Kate de Rothschild Agius is a trustee of Exbury Gardens	14	
Goldsmith Company	Timothy Schroder is a trustee of the Goldsmith Company	14	

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. The WCiA has a board of three directors. From 9 January 2017, two of the three directors held positions at the Wallace Collection, one as a Trustee, the other as a member of the Senior Management Team. On 29 June 2017, the member of the Senior Management Team resigned from the board and a new, independent director was appointed.

During the year grants of £99,023 (2015-16 £nil) were made to the Wallace Collection including a grant of £47,170 after 9 January. At 31 March 2017, the WCiA had net assets of £121,279 in the form of cash at bank.

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. Persons holding office in the Wallace Collection only formed a majority of directors in the WCiA for the period from 9 January to 29 June 2017. During this period, one of these directors recused herself from the decision to make a grant to the Wallace Collection.

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 £66,801 including gift aid (2015-16: £44,431). Donations received without conditions from Trustees and other related parties totalled £353,324 (2015-16: £386,431).

20. Contingent liabilities

There were no contingent liabilities as at 31 March 2017 (2016: Nil).

21. 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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