

The Wallace Collection
Annual Report and Accounts 2019-20

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Annual Report and Accounts 2019-20

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Annual Report and Trustees' Report

Objectives and Achievements

Background/introductory information

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

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

The museum contains Old Master paintings, miniatures, sculpture, furniture, porcelain and goldsmiths' work, European, African and Asian arms and armour, and medieval and Renaissance works of art. All are of the highest quality and of international importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally acclaimed.

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

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

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

Notably, in 2019-20, the Collection obtained permission to loan works of art and thereby develop stronger partnerships and relationships with other arts institutions; the first loan agreed with the Board of Trustees was Titian's *Perseus and Andromeda*, which the National Gallery in London borrowed as part of their *Titian: Love, Desire, Death* exhibition. The Collection's exhibition programme flourished with *Manolo Blahnik: An Enquiring Mind* and *Forgotten Masters: Indian Painting for the East India Company*, during which visitor numbers reached an all-time high at 487,182. Income from retail activity was the highest ever achieved and the Collection completed a major refurbishment of the portico and façade of Hertford House.

Although the year ended with the closure of the Collection on 18 March 2020 due to COVID-19, during the previous twelve months significant progress had made against the objectives set out in the Collection's strategic plan "*Making Culture Matter*". It was a strong year for the Collection, albeit against the background of uncertainties relating to Brexit and ending with the COVID-19 pandemic.

Aims, Objectives and Priorities

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

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

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

In 2019, following consultation with DCMS, the Charity Commission granted an Order under section 105 of the Charities Act 2011 to authorise the temporary lending and borrowing of objects for exhibitions or displays. The following powers were vested in the Board of Trustees:

“1.2.1. Being satisfied that it is expedient in the interests of the Charity that it should do so, the Commission authorises the Charity:

- (1) to lend any objects in the Charity's collection (whether the loan is for purposes of public exhibition or not and whether, under the terms of the loan, the object is to remain in the United Kingdom or not) provided that in deciding whether or not to lend an object, and in determining the time for which, and the conditions subject to which, an object is to be lent, the Charity:

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- (a) shall give special consideration to the request for the loan of an object for public exhibition; and
- (b) subject to that, shall have regard to the interests of students and other persons visiting the Charity's collection, the sustainability of the prospective borrower, the purpose of the loan and the physical condition and degree of rarity of the object and any risk to which it is likely to be exposed."

The Trustees of the Wallace Collection consider the museum's principal aim is 'to safeguard this unique and varied Collection, making it accessible for the present and preserving it for future generations.' In order to achieve this aim the Collection has, under the banner of "*Making Culture Matter*" set itself the following objectives and priorities for the period 2018-2021:

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

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

Achievements and Performance

Broadening and deepening visitor engagement

2019-20 has seen the highest recorded number of visitors in the Collection's history, reaching 487,182. This represents an increase of 15.5% on 2018-19 (421,676). This increase in visitor numbers is predominantly as a result of the exhibition programme supported by a strong communications strategy, alongside our learning, community and public programming.

- *Henry Moore: The Helmet Heads*. This exhibition focused on the inspiration that the Wallace Collection's arms and armour provided to Henry Moore – notably in the creation of his Helmet Head series. Being the first 'paid-for' exhibition in the new Exhibition Gallery (opened in 2018) and with a relatively niche target audience, visitor numbers for the exhibition fell short of expectations. However, the exhibition was well received by the press and much admired by the audiences who did visit, serving the Collection well as a way to establish its exhibition programme.
- *Manolo Blahnik: An Enquiring Mind*. This intervention into the gallery and rooms of Hertford House with footwear influenced by, and related to, the Collection proved enormously popular. The renowned designer's work, sensitively presented, was testament to his creativity and imagination. The exhibition was extended by two months due to its success and was awarded the Walpole British Luxury Award for Best Creative Collaboration of 2019. The Collection saw a marked increase in visitors during this exhibition and attracted a new audience to the Wallace.

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- *Forgotten Masters: Indian Painting for the East India Company*. Co-curated by the Collection's Director and by the historian and author William Dalrymple, the exhibition presented beautiful images of the flora, fauna and people of India, commissioned by the East India Company. The exhibition celebrated the work of a number of largely unknown and forgotten Indian artists. The exhibition was critically acclaimed and visitor numbers exceeded expectations. The exhibition closed early due to the COVID-19 lockdown, nevertheless over 33,000 visitors visited the exhibition.

Alongside the permanent collection and the exhibitions programme, the Collection's Learning Department has continued to run an extensive programme engaging with a broad and diverse audience. Over 1,750 events took place attracting over 40,000 attendances with a breadth of activities, including workshops, lectures, tours, talks, classes and courses. Some examples of the range of Department's work is given below:

- The Young Curators programme is a long-standing initiative in collaboration with St. Vincent's Catholic Primary School, Marylebone. Every year, a group of primary students between Year 4 and Year 6 prepare and present various public tours and special projects. In addition, as part of national 'Takeover Day' the children 'run' the museum - a day that brings enthusiasm and energy that permeates the Collection and engages with visitors in a unique and refreshing way.
- The Collection's access programme continues to grow in strength and popularity. Our BSL (British Sign Language) tours are consistently oversubscribed, as are our tours for Lipreaders. Events for blind and partially sighted visitors are equally popular, especially our 'Describe and Draw' life drawing classes, which regularly have long waiting lists attached. These classes assist people who are losing or have lost their sight but still want to engage in artistic practice.
- Treasure of the Month talks and "Brief Encounters" talks highlight items from the permanent collection and continue to be popular with visitors.
- The programme for families and young people continues to grow with a wide range of workshops and activities run at weekends and through school holidays e.g. "Little Draw" – a free drop-in drawing workshop; life drawing; printmaking workshops; storytelling to inspire craft-making and painting; and 'hands on' armour – handling sessions with replica armour.
- The "Out of the Frame" programme has been extended with additional groups beginning both in and outside of London. Locations include residential care homes and community day care centres with a programme of activities for older people. The starting point for these creative workshops is always a work of art from the Collection with a handling collection developed with tactile/sensory objects to stimulate participants' imagination. This year the Collection's exhibition programme has generated new themes and ideas for many of these sessions.
- 'Wallace on the Ward', our Hospital Outreach Programme, continues to grow with new partners joining the programme every year. The range of groups with whom the Collection works has also broadened to include people living with addictions and

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through a recent initiative with children receiving education in a hospital classroom setting due to long-term illness.

- Now in its 6th year the annual LGTBQI (Lesbian, Gay, Bisexual, Transgender, Queer, Intersex) “Late”, curated by Sadie Lee, coincided with London’s Pride festivities, which this year also marked the 50th anniversary of the Stonewall Riots and the beginning of the Gay Liberation movement. As ever, the mixture of art and entertainment linked on this occasion to the Manolo Blahnik exhibition, attracted a capacity audience.
- Live music performances continue to feature as part of the Collection’s public programming. The regular collaboration with the Marylebone Music Festival, the annual residency of the City Music Foundation’s emerging soloists and ensembles and the Christmas concert by the Vox Luna choir, all played to capacity audiences.
- The EU funded and internationally collaborative ARCHES (Accessible Resources for Cultural Heritage Ecosystems) project has been completed. This was a participatory research project with an aim to make Museums and Galleries more accessible to people with differing access needs (such as sight, hearing, learning and memory). This project brought together disabled people, technology companies, universities and museums, who together developed and tested technological solutions to improve access to culture. These included multi-media interactive software that will enable visitors to explore artworks through a number of forms of access e.g. touch, BSL, audio; and an app that uses voice over and screen reader technology to allow blind and visually impaired people to create a collage or painting.
- The Collection’s Community Ambassadors is a programme in which refugees and asylum-seekers are trained to gain an understanding of the arts and heritage sector, develop transferable skills (such as English, communication and presentation, research, art and European history skills and knowledge), increase social and professional connections, and enhance their confidence, self-esteem and wellbeing. The Wallace Collection in turn creates and deepens links with new, diverse audiences and project partners, breaks down barriers to access and public perceptions, and gains new perspectives and interpretation of collection objects.

Maintaining and preserving the Collection for future generations

With a new Head of Collection Care in post, 2019-20 has seen the updating of several areas of activity specific to the maintenance and preservation of the Collection.

- Gallery cleaning procedures and efficacy has been reviewed and a new regime has been established that will better manage dust levels across the Collection and prevent harmful and visible accumulations of dust. In part, this review has been prompted by the increase in visitor numbers.
- An in-depth Furniture Conservation Survey covering 200 objects in the Collection has been completed. Priority conservation work-lists have all been updated, and remedial conservation treatment of the most urgent pieces has begun.

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- A review of the Integrated Pest Management procedures has been completed and updated.
- Ongoing maintenance and upgrades of building management systems continues in order to ensure the temperature and relative humidity within the Collection remain within set parameters. Monitoring systems have been improved, as has the management of the BMS (Building Management System) all contributing to reducing the risks of damage to paintings and artwork through temperature and humidity fluctuations.

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

- The “Views of Venice” project, which sees works by Canaletto and Guardi cleaned and conserved, is on track for completion in 2020. 10 paintings have been treated and, as a result of this project, a monograph written by curator Lelia Packer describing the project and the research outcomes, with essay contributions by Charles Beddington and Rupert Featherstone, will be published next year.
- The Collection’s *Perseus and Andromeda*, painted by Titian was included in a technical study of all six of Titian’s magnificent mythological paintings made for King Philip II between 1551 and 1562, known as the Poesie series. *Perseus and Andromeda*, joined *Venus and Adonis* from the Prado, *Danaë* from the Wellington Collection, *Diana and Actaeon* and *Diana and Callisto*, jointly owned by the National Gallery and the National Galleries of Scotland and *The Rape of Europa* from the Isabella Stewart Gardner Museum. Having analysed the paintings using the most up-to-date imaging techniques in order to understand better Titian’s painting technique, the results have been published in a new catalogue published by the National Gallery Company. The six paintings were on display at the National Gallery prior to COVID-19 lockdown.
- Research into the composition and construction of Indo-Iranian steels (particularly the ‘watered Damascus’ crucible steel used for blades and armour) continues. This long-running research programme, the first of its kind in the world regarding arms and armour, is being entirely funded by the U.K. Science and Technology Facilities Council.
- Rubens’s masterpiece *The Rainbow Landscape* has been subject of a major examination that has included technical photography (infra-red and ‘raking light’ imaging) and close inspection and analysis by a panel of experts on the panel construction and paint. The results will be published in 2020 in a monograph written by curator Lucy Davis. This will link to a display (date to be confirmed) at the Collection that will reunite *The Rainbow Landscape* with its pendant, *A View of Het Steen in the Early Morning* that will be borrowed from the National Gallery. This will be the first time the paintings will be seen together since 1803.

The Wallace Collection publications for the year are:

- Capwell, Tobias, ‘The Armour of an Archangel’, in Treves, Letizia, ed, Bartolomé Bermejo: Master of the Spanish Renaissance (London: National Gallery, 2019).

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- Capwell, Tobias, ‘A Cursed Abominable Device? The True, Shared History of Knights and Firearms’, *Bulletin of the American Society of Arms Collectors*, 118 (2019), pp. 29-43.
- Jackall, Yuriko, Catalogue review. *Catalogue of Eighteenth-Century French Paintings*, National Gallery, London. *Apollo* (March 2019)
- Jackall, Yuriko, Exhibition review. *Boilly at the National Gallery*, London. *Burlington Magazine* (May 2019).
- Bijl, Arthur, Review of Salam Kaoukji, *Precious Indian Weapons and Other Princely Accoutrements*, and Robert Elgood, *Rajput Arms & Armour: The Rathores & Their Armoury at Jodhpur Fort*, in *Burlington Magazine*, October 2019, pp. 880-2.
- Jackall, Yuriko, “Off with Greuze’s Heads: A Case of Identity Theft,” *Journal 18 Issue 8 Self/Portrait* (Fall 2019).
- Kent, Isabelle, ‘An itinerant Iberian master – Bartolomé Bermejo at the National Gallery, reviewed’, *Apollo Magazine*, 25 June 2019.
- Capwell, Tobias, “Review. *The Last Knight: The Art, Armor and Ambition of Maximilian I*”, *Metropolitan Museum of Art*, New York, 2 October 2019-7 January 2020, *The Burlington Magazine*, January 2020, pp. 58-9.

Suzanne Higgott’s book (published in 2018), *The most fortunate man of his time. Sir Richard Wallace, Connoisseur, Collector and Philanthropist*, was shortlisted for the prestigious Berger Prize for art history.

Supporting excellence in curatorial research

2019-20 research energies have been focused on three key projects:

- The Collection’s Ottoman, Middle Eastern and Asian Arms and Armour is the subject of an extended research project – a particularly important project given the absence of previous research and lack of knowledge about this aspect of the Collection. Under the leadership of Curator of Arms and Armour Tobias Capwell, the project has progressed well during the year with the first draft of the catalogue manuscript, containing over 800 entries, being completed and the next stage of editing and preparation for publication has begun.
- Jean-Henri Riesener was the foremost cabinetmaker in Paris during the second half of the eighteenth century. Enjoying the patronage of the French court, his Paris workshop produced extraordinary furniture, of which some of the finest examples are in the Wallace Collection. Together with Waddesdon Manor and the Royal Collection Trust, a major project exploring the creativity and ingenuity of Riesener’s work will culminate in the publishing of the first major work on the artist, *Jean-Henri Riesener and his Legacy*. This book, edited by Senior Curator Helen Jacobsen, will be published later in 2020 and

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will present the research undertaken by Helen and the analysis of the materials, structure and mechanisms used in the making of the furniture undertaken by Jürgen Huber, the Collection's Senior Furniture Conservator.

- In August 2019, the Wallace Collection launched a major conservation and research project focusing on the artist, Jean-Honoré Fragonard. The Wallace Collection is fortunate to own eight exquisite works by Fragonard, one of the most popular artists of the eighteenth century. This ensemble is crucial to the identity of the museum, yet they have not been studied in depth. Led by Yuriko Jackall, Curator of French Paintings, the project aims to address these gaps in knowledge. Five paintings will be cleaned and conserved, and an international team of art historians, scientists, and conservators will advise, bringing to bear sophisticated new imaging techniques. These will provide a deeper understanding of Fragonard's technique in order to shed new light upon his evolution as an artist. The project was announced to coincide with the opening of Director Joanna Hogg's acclaimed film 'The Souvenir' which featured, as the central motif, Fragonard's painting of the same name. It will culminate in a publication and potentially also an exhibition.

Connecting with new audiences through an enhanced digital presence

The importance of bringing the Collection to life digitally has clearly been underlined during the COVID-19 pandemic, particularly when the Collection closed its physical doors to visitors. However, prior to the museum's closure, the Collection's digital presence had been growing over the last twelve months with greater content creation for the website and increased use of social media.

With the introduction of online ticketing for exhibitions and the museum's public events programme, traffic to the website has increased. 25% of exhibition tickets and over 75% of event tickets were bought online. Due to the increased interest in exhibition programme at the Wallace Collection, Memberships have also seen a significant growth, with 30% of new Collection Memberships being redeemed online. This represents a 360% increase in online Memberships since the new exhibition programme was launched.

Social media 'followers' across the platforms of Twitter, Facebook and Instagram have increased by 25% over the year. This notable increase is undoubtedly due to the enhanced profile of the Collection following the *Manolo Blahnik* and *Forgotten Masters* exhibitions.

With the ability to book tickets online, the Collection has an opportunity to capture data in a way not previously possible. To be able to manage this new data more effectively in full compliance with General Data Protection Regulations, the Collection is introducing a Customer Relationship Management (CRM) system that will also allow it to update and streamline the management of currently held data. With the support of a grant from the Fidelity UK Foundation, who sponsored both the online ticket system and the CRM implementation, the project is nearing completion with the final testing being delayed due to lockdown. This project has prompted upgrades across the Collection's IT systems and will be fully introduced as soon as conditions allow.

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With the growing demand for digital content, the ongoing work to have a digital image of every item in the Collection continues; making this increasingly available online is a priority for the Collection. Whilst much has been achieved in this regard during the year, progress has been halted since lockdown. However, the Collection has risen to the challenge of becoming an online museum and has created content for several different audiences which has been disseminated through email, on the website and via social media.

Laying a strong financial foundation for the future

The Grant-in-Aid received from DCMS is of critical importance in helping the Collection create and maintain a strong financial basis. However, in order to realise our ambitious aims and objectives, the Museum must continue to increase and diversify self-generated income. Even taking into account the impact of Brexit and the COVID-19 pandemic, 2019-20 has been a successful year in this regard.

Both the Benefactors scheme and Membership grew significantly over the year, in part because of the exhibition programme, which drew in new audiences and interested parties to the museum. These schemes form part of the core unrestricted income raised by the Fundraising Team and, consequently, are of utmost importance to the museum's finances. There was a renewed engagement with Corporate donors as well, and Corporate donations were received to support the exhibition programme in particular.

The development of a paid exhibition programme was central to *Making Culture Matter*, and, despite having to close early due to COVID-19, *Forgotten Masters* ticket sales exceeded budget by 27%.

Despite the disrupted end to the year, record visitor numbers and the development of ranges to accompany the exhibition programme have helped the Retail operation deliver its best ever results, both in terms of sales and net profits. The Events team have had a more challenging year; the work to the front façade of Hertford House required extensive scaffolding which, in a challenging corporate events market, deterred many potential clients.

Embarking upon a capital investment programme to transform visitor experience

Thanks to support from the DCMS-sponsored Museum Infrastructure Fund, the Collection was able to undertake the refurbishment and restoration project of the portico and front façade of Hertford House. This followed interim safety work undertaken to the portico in August 2018 when the need for further major repairs was highlighted.

The Collection's retained architects, Purcell, led the project team comprised of Rex Proctor Partnership (quantity surveyors), Morton Partnership (structural engineers) and Applecross Ltd (contractors). Work began on site in July 2019 and the project was completed in January 2020.

As unexpected and unidentified issues were discovered, notably due to poor remedial work undertaken in the past, the schedule of work was adapted during the course of the project. The project team worked well together to resolve these issues, prioritising the work and

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amending the timeline. Throughout the project, access for the public to the museum through the main entrance was maintained. Disruption was kept to a minimum and well managed.

The quality of the craftsmanship of specialist trades – combined with the heritage experience and knowledge within the project team – has resulted in a transformation of Hertford House's south-facing elevation. Perhaps more importantly is the unseen work at the higher levels of the building (to the roof and cornices) that has made the building watertight and safe; this work will ensure the integrity of the building for future generations.

The project has been nominated for two awards: the Museum and Heritage Awards 2020 for Restoration/Conservation project of the Year, and the Royal Institute of Chartered Surveyors' Social Impact and Building Conservation Award.

The size and layout of Hertford House places considerable constraints on the Collection's aim to improve the experience of visitors. This continues to create challenges as the museum endeavours to modernize visitor services, and these challenges have increased following the reopening of the Collection after COVID-19 related closure.

During 2019-20 considerable consideration has been given by the Trustees and the Senior Management Team on how to proceed with developing a Masterplan for the Collection. This project is on hold until the implications of COVID-19 are fully understood.

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Financial Review

Financial results

The largest source of income in 2019-20 was Grant-in-Aid from the Department for Digital, Culture, Media and Sport. At £3.910m (2018-19: £2.731m) this represented 46% of the group's non-endowment income for the year (2018-19: 44%).

Other donations of £2.152m were £0.6m higher than the £1.551m achieved last year, and this increase is largely due to £0.578m of legacies received this year (52% of which are restricted income), compared to £0.001m in 2018-19.

Trading income grew slightly at £1.498m compared to £1.417m in 2018-19, owing to an improved performance from the both the Retail and Restaurant operations driven by increased visitor numbers.

Expenditure increased from £7.352m in 2018-19 to £7.565m. Expenditure on raising funds stayed relatively flat at £1.524m compared to £1.517m in 2018-19. Expenditure on Charitable activities has increased to £6.041m from £5.835m in 2018-19 due to a number of funded conservation and curatorial projects, and an increase in building maintenance costs.

The museum launched an endowment fund in 2015-16 and continued to build the fund in 2019-20 with further donations of £0.140m. This is a significant reduction on the £0.870m raised in 2018-19, however last year's donations were driven by a gala held at Buckingham Palace in March 2019. The museum can use the income from this permanent endowment to support its unrestricted and restricted activities.

Investment policy and objectives

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

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

The total return on the portfolio for the year to March 2020 was -10.02%, in line with volatile markets over the year. The income return was 3.73% and the capital return was -13.75%. The total return underperformed compared to the target of UK RPI plus 3% which was 5.7% in 2019-20. The 12-month income yield to March 2020 was 4.3%, which exceeded the income yield target of 3%.

Financial risks

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

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The museum is dependent on self-generated income to deliver fully its strategic, charitable and statutory objectives. COVID-19 has had, and will continue to have, a significant impact on all these income streams for the foreseeable future, and any projections for these income streams are highly uncertain. This includes all those that are related to public visitors, sponsorship and philanthropy, and others related to the state of the economy. The Government announcement on 5 July 2020 that additional Resource Grant-in-Aid would be made available in respect of the financial year ending 31 March 2021 helps to mitigate the financial risk to that date. The ability to manage the risk thereafter will depend on the implications of the Government's Spending Review in autumn 2020, as well as on the recovery of income streams for the foreseeable future after the Collection re-opens to the general public and all other self-generated income business activities recommence.

Reserves policy

The reserves policy agreed by the Trustees is to hold unrestricted and undesignated reserves of between one and three months' expenditure with a target of three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at 31 March 2020 of £1.502m (2018-19: £1.047m) represents cover of just under three months budgeted expenditure.

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

Payment of creditors

During 2019-20, the Wallace Collection paid 94% of undisputed creditors within 30 days of receipt of an invoice (2018-19: 96%).

Performance

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

		2019-20	2018-19
Key performance indicators:			
	Number of visits to the museum	487,182	421,676
	Charitable giving (fundraising)	£2,127,000	£2,406,000
Other performance indicators:			
Access			
	Number of unique website visits	734,000	681,680
Audience profile			
	Number of visits by children under 16	16,086	17,594
	Number of overseas visits	155,898	122,286
Learning			
	Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education	9,513	9,070
	Number of instances of visitors under 18 participating in on site organised activities	10,394	10,192
Visitor satisfaction			
	% of visitors who would recommend a visit	92	93
	% of visitors who were very satisfied with their visit	90	90
Self-generated income			
	Trading income (net profit)	£628,000	£619,000

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Sources of data

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

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

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

Preparation of the Accounts

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

The consolidated accounts are for the Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Wallace Collection in America Inc, 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 2019-20. The audit fee in respect of this work was £21,500. Other than the statutory audits of the Wallace Collection and Hertford House Marketing Limited, and an internal audit service, no other accountancy or audit services were commissioned or undertaken in the year. External auditors are engaged for the trading subsidiary audit and internal audit services.

Fundraising Regulator

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

Staff and organisation

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

Sickness absence

Sickness absence accounted for 4.19% of all staff time during 2019-20 (2018-19: 4.25%), or 10.61 days per staff member (2018-19: 10.82 days). The management of sickness absence is a priority during the coming year.

The Wallace Collection Annual Report and Accounts 2019-20

Trade Union Facility Time

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

	2019-20	2018-19
Table 1: Relevant Union Officials		
Number of employees who were relevant union officials during the period	4	4
Full time equivalent employee number	4	4
Table 2: Percentage of time spent on facility time		
0%	No of Employees	No of Employees
1-50%	1	3
51-99%	3	1
100%	0	0

Table 3: Percentage of pay bill spent on facility time		
Pay spent on facility time	£547	£516
Total wage bill	£3,653,000	£3,557,000
Percentage of facility time against total pay bill	0%	0%

Table 4: Paid union activities		
Paid union activities	0%	0%

Sustainability

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



Dr Xavier Bray
Director and Accounting Officer

27 November 2020



António Horta-Osório
Chairman

27 November 2020

The Wallace Collection Annual Report and Accounts 2019-20

Remuneration Report

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 (2018–19: £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	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
Dr Xavier Bray Director	105-110	95-100	5-10	10-15	41	38	150-155	145-150
Derek Purnell Chief Operating Officer	70-75	70-75	-	-	-	-	70-75	70-75
Sarah Harmer Director of Development	70-75	70-75	-	-	-	-	70-75	70-75
Melanie Newlands Director of Finance and Commerce	60-65	60-65	-	-	24	24	85-90	85-90

The table above has been subject to audit

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 2019-20.

No senior managers were employed through an agency in 2019-20.

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 2019-20

	Accrued pension at pension age as at 31 March 2020 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2020 £000	Cash equivalent transfer value at 31 March 2019 £000	Real increase in CETV £000
Dr Xavier Bray Director	5-10	0-2.5	89	59	20
Melanie Newlands Director of Finance and Commerce	0-5	0-2.5	38	20	12

The table above has been subject to audit

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

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

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

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

The banded remuneration of the Director in post at the end of the financial year was £110,000 to £115,000 (2018–19: £110,000-£115,000). This was 4.88 times the median remuneration of the workforce (2018-19: 5.01 times). The median total remuneration of the workforce in the current financial year was £23,038 (2018–19: £22,440). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. The decrease in the multiple of median remuneration is due to the lower bonus paid to the Director during the year.

The above information has been subject to audit

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

The Wallace Collection Annual Report and Accounts 2019-20

(Annex A), and is based on the restrictions of the Director's contract and against achievement of annual objectives and targets. Any bonus payment is not pensionable and is non-consolidated. The current Director's contract commenced in October 2016 and is open-ended, with a notice period of thirteen weeks. The other senior managers are on permanent contracts with three-month notice periods.

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

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

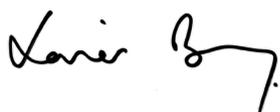
The Wallace Collection Annual Report and Accounts 2019-20

based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

27 November 2020



António Horta-Osório
Chairman

27 November 2020

The Wallace Collection Annual Report and Accounts 2019-20

Statement of Trustees' and Accounting Officer's Responsibilities

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

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

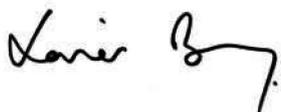
- observe the Accounts Direction* issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards and statements of recommended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

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

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

The Wallace Collection Annual Report and Accounts 2019-20

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

27 November 2020



António Horta-Osório
Chairman

27 November 2020

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

The Wallace Collection Annual Report and Accounts 2019-20

Governance Statement

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

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

The Board of Trustees

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

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

There are three sub committees of the Board: the Audit Committee, the Fundraising Committee and the Investment Committee.

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

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

The Wallace Collection Annual Report and Accounts 2019-20

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

Board effectiveness

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

Wallace Collection Staff

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

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2020, there were ten in post (Annex A). Following a competitive process, and consultation with other Trustees and with the Director, the Chairman recommends nominees (no fewer than two for each Trusteeship at a time) to DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

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

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

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

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Compliance with Corporate Governance Code

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

Report from Audit Committee

The Audit Committee is responsible for reviewing the museum's key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report and Accounts. The Committee reports on its work at each Board meeting. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2018-19 and on planning for the 2019-20 audit. The internal auditor reported to the Committee on his findings and was able to provide the Committee and Trustees with significant assurance that the Collection generally has good controls; however, recommendations were made for a number of areas reviewed, with some controls requiring attention. The risk register was received and reviewed in its entirety during the course of the year.

Report from Investment Committee

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

Risk

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

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

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

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

The Wallace Collection Annual Report and Accounts 2019-20

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

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

The key risk priorities of the Wallace Collection in 2019–20 are:

- Planning for the future in a challenging funding environment is the most significant risk which the Collection currently faces: the closure of the museum for four months has had a significant impact on the Collection's ability to raise self-generated income. Although the Collection reopened in July 2020, social distancing has reduced the number of visitors permitted in the Collection, which has dramatically reduced the ability to raise commercial revenue.
- Managing the impact of the long term increase in visitor numbers whilst improving their understanding of the Collection;
- Guaranteeing the scholarly quality of the museum's activities and improving its international position under severe financial constraints;
- Securing the Collections and protecting them from theft and damage; and
- Balancing appropriately financial constraints and increasing pressure to expand services and maintain and improve the fabric of a Grade II listed building.

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 controls in order to adequately manage key risks. It has done this by inviting designated responsible risk holders within the museum to report on their work on a regular basis, and has also received assurance from the internal auditor that the internal controls in place are sound.

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

The Wallace Collection Annual Report and Accounts 2019-20

Whistleblowing Arrangements

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

Data quality

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

Data handling

The Wallace Collection maintains a record of incidents involving the loss, unauthorised disclosure or insecure disposal of personal data, the release of which risks causing harm or distress to the individuals concerned. The incident record includes the nature of the incident, the nature of the data involved, the number of people potentially affected and the steps taken to notify the individual concerned. Based on severity, these incidents are reported to the Information Commissioner's Office. There were no incidents during the year reported to the ICO.



Dr Xavier Bray
Director and Accounting Officer

27 November 2020



António Horta-Osório
Chairman

27 November 2020

The Wallace Collection Annual Report and Accounts 2019-20

Annex A - Trustees

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

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

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

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

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

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

The Wallace Collection Annual Report and Accounts 2019-20

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

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

Directors of Hertford House Marketing Limited during the year

Dr Xavier Bray
Melanie Newlands

Bankers

Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Auditors

The Wallace Collection
(Consolidated Accounts)

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

Hertford House Marketing Limited
(Trading Company)

haysmacintyre
24 Red Lion Square
London WC1R 4AG

Investment advisors

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

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

The Wallace Collection Annual Report and Accounts 2019-20

Annex B - Wallace Collection Endowment Donors and Benefactors 2019–20

The list below gratefully acknowledges all of the Donors to the Wallace Collection Endowment since its inception and all of those who have generously supported the Wallace Collection from 1 April 2019 to 31 March 2020.

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

Mr Stanley Gordon Clarke
Sir Siegmund Warburg's Voluntary Settlement

£10,000 and above

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

Christian and Florence Levett
The Lord Leonard and Lady Estelle Wolfson Foundation
Lord and Lady Lupton
The Michael and Nicola Sacher Charitable Trust
Albéric and Audrey de Montgolfier
Mr and Mrs Nadar
Sir John and Lady Ritblat
Robert de Rothschild
Sir Hugh and Lady Stevenson

and

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

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Benefactors of the Wallace Collection

European Friends (£10,000 per annum)

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

Director's Circle (£5,000 per annum)

Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Nada Bayoud and Andrew Wynn
Raya Bohsali
Sir Bruce Bossom, Bt
Michael and Angela Cronk
Dame Vivien Duffield
Thomas and Elsebeth Gatacre
Mr and Mrs William Iselin
Russell and Irina Jacobs
Lord and Lady Lupton
Clare McKeon
Mr and Mrs Nadar
Roslyn Packer AC
Mrs Douglas Rae
Robert de Rothschild
Dasha Shenkman OBE
Sir Hugh and Lady Stevenson
Rijnhard and Elsbeth van Tets
Mr and Mrs Christopher Winn

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

Joanna Hewitt
Mrs Patrick Lowther
Mrs Annie Mackeson-Sandbach
Ivetta Rabinovich
Paul Rivlin
Timothy and Ellen Schroder
Rima Tatjana Shour
Tony Swinnerton
Catrin and Tom Treadwell

Curator's Circle (£1,500 per annum)

Julian Agnew
Mr James and Lady Emma Barnard (The
Barness Trust)
Mr and Mrs Nick Barton
Nicholas Berwin
Mrs Charles H. Brown
Ian Butchoff
Peter and Sally Cadbury
Christopher Clarke
Eric Coatalem
Oliver and Cynthia Colman
Mrs M. David-Weill
Mr Patrick K. F. Donlea FCA
Ms Jennifer Eady Q.C.
Phil and Lucy Elder
Mr and Mrs R. J. Elliott
Lt. Cdr. Paul Fletcher
Sam Fogg Esq.
Joscelyn Fox
John and Patricia Glasswell
Mme Alice Goldet
Rima Hakim-Connelly
Katrin Henkel
Hugh Hudson-Davies
The John Armitage Charitable Trust
James and Clare Kirkman
David Lawson
Ms Laura Lindsay
Anthony Loehnis
The Loveday Charitable Trust
Richard Mansell-Jones
Hugh and Victoria Merrill
Suzie Newman
The Lord and Lady Phillimore
Jessica Pulay
Jonathan Refoy
Philip and Sarah Richards
Richard Sachs
Anthony and Jacqueline Todd
Mark Van Oss
Alan and Sue Warner
Patricia Wengraf Ltd.

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Young Benefactors (£750 per annum)

Phoebus Istavrioglu
Dr Claudio Koeser
The Hon Clarence Tan

Companions (£600 per annum)

Viscountess Bridgeman, The Bridgeman Art
Library
Mr Charles Cator
Lord Cholmondeley
Dee Singh Datta
Giles Ellwood and Philippe Sacerdot
Jennifer Montagu
In memory of the late A V B Nick Norman
Christylle Phillips

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Annex C - Wallace Collection Donors 2019–20

Donors

Kate de Rothschild Agius and Marcus Agius
Richard and Mara Aylmer
Mr and Mrs Nick Barton
Nada Bayoud and Andrew Wynn
Guy and Margaret Beringer
Bloomberg L.P.
Molly Lowell and David Borthwick
Sir Bruce Bossom, Bt
Mr and Mrs Nicolas Cattelain
Centro de Estudios Europa Hispánica (CEEH)
Mr Stanley Gordon Clarke
Eric Coatalem
Michael and Angela Cronk
Delhi Art Gallery (DAG)
Patrick K. F. Donlea
Giles Ellwood
Geoffrey and Elizabeth Fuller
Francesca Galloway and Sam Fogg
Thomas and Elsebeth Gatacre
The Gujral Foundation
Susan Hazledine part of A&O New Change Group
Katrin Henkel
Soo and Jonathan Hitchin
Colette and Philip Hubbard
David M Leventhal, in honour of Kate de Rothschild Agius
Colleen Keck
Gauri Keeling
KPB Corporation
Anita Lal
Manolo Blahnik International Ltd
Richard Mansell-Jones
James Murdoch
Ivan Newbury, Kent Arms and Armour Society
Roslyn Packer AC
Prof. Philip and Mrs Patricia Pettit
Cynthia Polsky
Basil and Maria Postan
Paul Rivlin
Dasha Shenkman OBE
Sotheby's
Shanti Kandiah and Brahmaj Vasudevan
VisitFlanders

Trusts and Foundations

The Aga Khan Foundation
The BAND Trust
The Barbara Whatmore Charitable Trust
The Belvedere Trust
City Bridge Trust
The Clore Duffield Foundation
The John S Cohen Foundation
The Elizabeth Cayzer Charitable Trust
The Excel Fund
The Fidelity UK Foundation
The Helen Hamlyn Trust
The Jan Michalski Foundation
The John Armitage Charitable Trust
The Jonathan Ruffer Curatorial Grants programme (The Art Fund)
The Kirby Laing Foundation
The Leverhulme Trust
The London Art History Society
The Lord Leonard and Lady Estelle Wolfson Foundation
The McCorquodale Charitable Trust
Nicholas and Judith Goodison's Charitable Settlement
The NJT Foundation
The Ofenheim Charitable Trust
Parrotia Stiftung
The Radcliffe Trust
The Rothschild Foundation
Tavolozza Foundation
The William Arthur Rudd Memorial Trust
Woodmansterne Art Conservation Awards

The Wallace Collection Annual Report and Accounts 2019-20

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

Ambassador Victor Ashe
Susan Baker and Michael Lynch
Bank of America Art Conservation Project
Mr and Mrs Frederick W. Beinecke
Michele Beiny Harkins
The Deborah Loeb Brice Foundation
Edward Lee Cave
E. Rhodes and Leona B. Carpenter Foundation
Tom Freston
Stephen Geiger in the honour of Kate de
Rothschild Agius
Cecily Horton
Whitney and Elizabeth MacMillan
Jim and Debbie Norling
Sophie and Christopher North
Timothy and Carol Rattray
Carlton C Rochell, Jr.
The Samuel H. Kress Foundation
Thomas and Catrin Treadwell

And all those who wish to remain anonymous

The Wallace Collection Annual Report and Accounts 2019-20

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

Opinion on financial statements

I certify that I have audited the financial statements of the Wallace Collection for the year ended 31 March 2020 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Collection Balance Sheets, the Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Wallace Collection's affairs as at 31 March 2020 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museum and Galleries Act 1992 and Secretary of State directions issued thereunder.

Emphasis of Matter

I draw attention to Note 8a to the financial statements, which describes the basis for valuing the Wallace Collection's land and buildings. Management consider that there is a 'material valuation uncertainty' associated with this balance. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. My opinion is not modified in respect of this matter.

Opinion on regularity

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

Basis of opinions

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

The Wallace Collection Annual Report and Accounts 2019-20

relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Wallace Collection's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Wallace Collection have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Wallace Collection's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Trustees and Accounting Officer

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

The Wallace Collection Annual Report and Accounts 2019-20

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Wallace Collection's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- Conclude on the appropriateness of the Wallace Collection's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Wallace Collection's or the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Wallace Collection or the group to cease to continue as a going concern.

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

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

Other Information

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

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Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 1 December 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

The Wallace Collection Annual Report and Accounts 2019-20

Consolidated Statement of Financial Activities for the year ended 31 March 2020

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2019-20 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Fund £000	Total 2018-19 £000
Income and endowment funds from:									
Donations and legacies	2	998	1,154	140	2,292	722	829	870	2,421
Grant-in-Aid	2	2,830	1,080	-	3,910	2,731	-	-	2,731
Charitable activities	3	503	-	-	503	139	-	-	139
Other trading activities	14	1,498	-	-	1,498	1,417	-	-	1,417
Investments	4	196	159	-	355	189	154	-	343
Total		6,025	2,393	140	8,558	5,198	983	870	7,051
Expenditure on:									
Raising funds									
Fundraising	5	434	-	-	434	426	-	-	426
Marketing and design	5	225	-	-	225	314	-	-	314
Trading: cost of goods sold and other costs	14	865	-	-	865	777	-	-	777
Charitable activities									
Conservation	5	121	225	-	346	242	97	-	339
Collections		1,090	676	-	1,766	870	810	-	1,680
Security		1,741	-	-	1,741	1,742	-	-	1,742
Building and maintenance		1,266	922	-	2,188	1,219	855	-	2,074
Total		5,742	1,823	-	7,565	5,590	1,762	0	7,352
Net gains/(losses) on investments	8c	-	-	(1,237)	(1,237)	-	-	172	172
Net income/(expenditure)	7	283	570	(1,097)	(244)	(392)	(779)	1,042	(129)
Transfers between funds	12	-	-	-	-	-	-	-	-
		283	570	(1,097)	(244)	(392)	(779)	1,042	(129)
Other recognised gains/(losses):									
Gains/(losses) on revaluation of fixed assets		(41)	(1,458)	-	(1,499)	47	(128)	-	(81)
Net movement in funds		242	(888)	(1,097)	(1,743)	(345)	(907)	1,042	(210)
Reconciliation of funds									
Total funds brought forward		6,570	43,608	9,270	59,448	6,915	44,515	8,228	59,658
Total funds carried forward	12	6,812	42,720	8,173	57,705	6,570	43,608	9,270	59,448

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 45 to 57 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2019-20

**Balance Sheet
at 31 March 2020**

	Notes	Group 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Fixed assets					
Tangible assets	8a	47,330	48,725	47,317	48,712
Heritage assets	8b	82	82	82	82
Investments	8c	8,040	9,077	8,040	9,077
		<u>55,452</u>	<u>57,884</u>	<u>55,439</u>	<u>57,871</u>
Current assets					
Stock	9	212	247	63	66
Debtors	9	928	789	903	915
Cash at bank and in hand	13	1,703	1,279	1,598	995
		<u>2,843</u>	<u>2,315</u>	<u>2,564</u>	<u>1,976</u>
Liabilities					
Creditors					
Amounts falling due within one year	10a	(536)	(646)	(354)	(444)
Net current assets		<u>2,307</u>	<u>1,669</u>	<u>2,210</u>	<u>1,532</u>
Total assets less current liabilities		57,759	59,553	57,649	59,403
Creditors					
Amounts falling due after more than one year	10b	(54)	(105)		
		<u>57,705</u>	<u>59,448</u>	<u>57,649</u>	<u>59,403</u>
Net assets	11				
Represented by:					
Unrestricted funds					
Designated funds	12	3,688	3,850	3,680	3,842
Unrestricted revaluation reserve	12	1,622	1,673	1,638	1,688
General funds	12	1,502	1,047	1,439	995
		<u>6,812</u>	<u>6,570</u>	<u>6,757</u>	<u>6,525</u>
Restricted funds					
Restricted income funds	12	35,220	34,567	35,220	34,567
Restricted revaluation reserve	12	7,500	9,041	7,500	9,041
		<u>42,720</u>	<u>43,608</u>	<u>42,720</u>	<u>43,608</u>
Total income funds		49,532	50,178	49,477	50,133
Endowment fund	12	8,173	9,270	8,173	9,270
		<u>57,705</u>	<u>59,448</u>	<u>57,650</u>	<u>59,403</u>

The notes on pages 45 to 57 form part of these financial statements.



Dr Xavier Bray
Director and Accounting Officer

27 November 2020



António Horta-Osório
Chairman

27 November 2020

The Wallace Collection Annual Report and Accounts 2019-20

Consolidated Statement of Cash Flows for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	13	<u>1,317</u>	<u>1,034</u>
Cash flows from investing activities:			
Dividends and interest from investments	4	355	343
Purchase of property, plant and equipment	8a	(1,189)	(940)
Purchase of investments	8c	<u>(199)</u>	<u>(1,563)</u>
Net cash provided by (used in) investing activities		<u>(1,033)</u>	<u>(2,160)</u>
Cash flows from financing activities:			
Receipt of endowment	2	<u>140</u>	<u>870</u>
Net cash provided by (used in) financing activities		<u>140</u>	<u>870</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents at beginning of the year		<u>1,279</u>	<u>1,535</u>
Cash and cash equivalents at end of the year		<u>1,703</u>	<u>1,279</u>

The notes on pages 45 to 57 form part of these financial statements.

The Wallace Collection Annual Report and Accounts 2019-20

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

1. Accounting policies

a) Basis of accounting

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

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

b) Going concern

The accounts have been prepared on the going concern basis. Under Section 2 of the Museums and Galleries Act 1992, the Museum has a statutory responsibility to care and preserve the objects in its collection and make them available to the public, and the Trustees and Accounting Officer have assumed in making the going concern assessment that sufficient Government funding support will continue to be made available to fulfil this responsibility. Additional Grant-in-Aid has been made available for the year ending March 2021.

c) Income

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

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

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

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

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

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

Included in other trading activities is income from sales which is included in the financial statements in the year in which the goods or services are supplied. Charitable activities income includes ticket sales for exhibitions and these are recognised in the statement of financial activities when the ticket holders attend the respective exhibitions. All other income is accounted for on a receivable basis.

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

d) Expenditure

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

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

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

The Wallace Collection Annual Report and Accounts 2019-20

e) Fund accounting

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

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

f) Tangible fixed assets

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

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

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

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

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

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

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

g) Stock

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

h) Heritage assets

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

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

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

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

The Wallace Collection Annual Report and Accounts 2019-20

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) 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.

j) 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.

k) 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.

l) 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 2019-20

2. Donations and legacies, and Grant in Aid

	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2019-20 £000	Unrestricted £000	Restricted £000	Endow- ment £000	Total 2018-19
Donations	721	853	140	1,714	722	829	870	2,421
Legacies	277	301		578				
	<u>998</u>	<u>1,154</u>	<u>140</u>	<u>2,292</u>	<u>722</u>	<u>829</u>	<u>870</u>	<u>2,421</u>

Unrestricted donations include £36,000 of pro bono investment and legal advice (2018-19 £37,000). The matching expenditure has been included in fundraising costs.

Grant-in-Aid of £3,910,000 (2018-19 £2,731,000) was received from the Department for Digital, Culture, Media and Sport of which £1,368,000 (2018-19 £287,000) was for capital purposes.

3. Income from charitable activities

	2019-20 Unrestricted £000	2018-19 Unrestricted £000
Ticket Income	317	
Study days and art activities	48	33
Tours and filming	31	22
Miscellaneous other income	107	84
	<u>503</u>	<u>139</u>

4. Income from investments

	Unrestricted £000	Restricted £000	Total 2019-20 £000	Unrestricted £000	Restricted £000	Total 2018-19 £000
UK investment funds	44	38	82	48	41	89
Fixed interest bonds	30	26	56	27	24	51
UK equities	70	61	131	69	59	128
Overseas equities	34	29	63	31	27	58
Infrastructure and property	6	5	11	3	3	6
Interest receivable	12	-	12	11	-	11
	<u>196</u>	<u>159</u>	<u>355</u>	<u>189</u>	<u>154</u>	<u>343</u>

5. Expenditure

	Direct costs	Support costs	Deprec- iation	Total 2019-20	Direct costs	Support costs	Deprec- iation	Total 2018-19
Raising funds								
Fundraising	376	58	-	434	371	55	-	426
Marketing and design	186	39	-	225	272	42	-	314
Trading	781	81	3	865	704	70	3	777
Charitable Activities								
Conservation	303	43	-	346	298	41	-	339
Collections	1,571	195	-	1,766	1,500	180	-	1,680
Security	1,613	128	-	1,741	1,623	119	-	1,742
Building and maintenance	961	143	1,084	2,188	871	130	1,073	2,074
	<u>5,791</u>	<u>687</u>	<u>1,087</u>	<u>7,565</u>	<u>5,639</u>	<u>637</u>	<u>1,076</u>	<u>7,352</u>

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5b) Support costs breakdown by activity

	Governance £000	Human Resources £000	Finance & IT £000	Office Supplies £000	Director's Office £000	Total 2019-20 £000	Total 2018-19 £000
Raising funds							
Fundraising	2	2	20	3	31	58	55
Marketing and design	1	1	10	6	21	39	42
Trading	4	3	47	6	21	81	70
Charitable activities							
Conservation	1	1	16	3	21	42	41
Collections	7	10	84	9	85	195	179
Security	8	22	86	2	11	129	119
Building and maintenance	10	1	109	2	21	143	131
	<u>33</u>	<u>40</u>	<u>372</u>	<u>31</u>	<u>211</u>	<u>687</u>	<u>637</u>

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

6a)	2019-20 £000	2018-19 £000
Wages and salaries	2,892	2,880
Social security costs	238	248
Pension costs	523	429
	<u>3,653</u>	<u>3,557</u>
Temporary staff	137	163
	<u>3,790</u>	<u>3,720</u>

No staff costs were capitalised (2018-19: £nil).

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

	2019-20	2018-19
£60,001 – £70,000	1	1
£70,001 – £80,000	2	2
£100,001 – £110,000	-	-
£110,001 – £120,000	1	1
	<u>4</u>	<u>4</u>

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6b) Pension costs

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

For 2019-20, employers' contributions of £444,201 were payable to the PCSPS (2018-19: £357,262) at one of four rates in the range 26.6% to 30.3% 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 2019-20 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 £79,249 (2018-19: £71,660) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £6,865 (2018-19: £6,236). 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:

	2019-20	2019-20	2018-19	2018-19
	Headcount	Full-time equivalent	Headcount	Full-time equivalent
Director's Office	2.0	2.0	2.0	2.0
Conservation	3.8	3.8	5.4	4.7
Collections	24.7	22.9	22.7	20.8
Security and Gallery	56.4	45.2	59.9	47.3
Building and Maintenance	2.3	2.6	2.0	1.5
Fundraising	4.8	4.8	4.3	4.3
Marketing and Design	2.1	2.0	3.0	3.0
Trading	7.1	6.8	8.8	8.5
Finance, HR and IT	4.0	3.8	4.7	4.4
	<u>107.2</u>	<u>93.9</u>	<u>112.8</u>	<u>96.5</u>

6d) Trustees

The Trustees neither received nor waived any emoluments during the year (2018-19: £nil). No expenses were reimbursed to any Trustee (2018-19: £nil).

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2019-20	2018-19
	£000	£000
External audit fees: NAO	22	20
External audit fees: trading subsidiary auditors	6	6
Other fees: trading subsidiary auditors	3	3
Internal Audit Fees	8	6
Operating lease rentals for the hire of plant and machinery	11	11

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

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8a) Tangible fixed assets Group

	Freehold land and buildings £000	Fixtures and fittings £000	Office equip- ment £000	Assets under construction £000	Total £000
Cost or valuation					
Balance at 1 April 2019	47,787	6,725	1,048	19	55,579
Additions	1,065	43	36	45	1,189
Transfers	-	-	-	-	-
Revaluation	(5,169)	143	-	-	(5,026)
Balance at 31 March 2020	43,683	6,911	1,084	64	51,742
Depreciation					
Balance at 1 April 2019	2,803	3,139	911	-	6,853
Charge for the year	752	273	62	-	1,087
Revaluation	(3,555)	27	-	-	(3,528)
Balance at 31 March 2020	-	3,439	973	-	4,412
Net book value					
Balance at 31 March 2020	43,683	3,472	111	64	47,330
Balance at 31 March 2019	44,984	3,586	137	18	48,726

The net book value at 31 March 2020 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	43,683	3,459	111	64	47,317
Trading activities	-	13	-	-	13
	43,683	3,472	111	64	47,330

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 2019	47,787	6,690	1,014	19	55,510
Additions	1,065	43	36	45	1,189
Transfers	-	-	-	-	-
Revaluation	(5,169)	143	-	-	(5,026)
Balance at 31 March 2020	43,683	6,876	1,050	64	51,673
Depreciation					
Balance at 1 April 2019	2,803	3,119	877	-	6,799
Charge for the year	752	270	62	-	1,084
Revaluation	(3,555)	27	-	-	(3,528)
Balance at 31 March 2020	-	3,416	939	-	4,355
Net book value					
Balance at 31 March 2020	43,683	3,460	111	64	47,317
Balance at 31 March 2019	44,985	3,571	137	19	48,712

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 2020 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.

Due to the outbreak of Covid-19 Gerald Eve LLP consider that at the valuation date of 31 March 2020 less weight can be attached to previous market evidence for comparison purposes, to form opinions of value. Due to the unprecedented set of circumstances on which the valuation judgement is based the valuation is being reported as subject to "material valuation uncertainty" as set out in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case.

For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that - in the current extraordinary circumstances - less certainty can be attached to the valuation that would otherwise be the case. This material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

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8 b) Heritage assets

	2019-20 £000	2018-19 £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 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Market value at 1 April	9,077	7,342	9,077	7,342
Additions	199	1,563	199	1,563
Disposals	-	-	-	-
Net gain/(loss) on revaluation	<u>(1,237)</u>	<u>172</u>	<u>(1,237)</u>	<u>172</u>
Market value at 31 March	<u>8,040</u>	<u>9,077</u>	<u>8,040</u>	<u>9,077</u>

	Group 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
At market value:				
UK investment funds	1,799	2,084	1,799	2,084
Fixed interest bonds	854	827	854	827
UK equities	3,014	3,331	3,014	3,331
Overseas equities	1,778	1,982	1,778	1,982
Infrastructure and property	391	412	391	412
Cash	<u>204</u>	<u>441</u>	<u>204</u>	<u>441</u>
	<u>8,040</u>	<u>9,077</u>	<u>8,040</u>	<u>9,077</u>
At cost	<u>8,597</u>	<u>8,378</u>	<u>8,597</u>	<u>8,378</u>

All investments are stated at fair value at 31 March 2020. 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 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Trade debtors	174	332	42	195
Other debtors	54	63	54	63
VAT debtors	43	42	77	93
Amount due from subsidiary	-	-	158	250
Prepayments and accrued income	<u>657</u>	<u>352</u>	<u>572</u>	<u>314</u>
	<u>928</u>	<u>789</u>	<u>903</u>	<u>915</u>

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

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10a) Creditors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Trade creditors	105	166	95	152
Taxation and Social Security	119	111	119	111
Accruals	163	190	140	172
Deferred income	140	170	-	0
Other creditors	9	9	-	9
	<u>536</u>	<u>646</u>	<u>354</u>	<u>444</u>

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

	Group 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Deferred income	<u>54</u>	<u>105</u>	<u>-</u>	<u>-</u>

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

	Group 2020 £000	Group 2019 £000	Collection 2020 £000	Collection 2019 £000
Deferred income at 1 April	275	298	-	17
Released from previous year	(171)	(168)	-	(17)
Deferred in current year	90	145	-	0
Deferred income at 31 March	<u>194</u>	<u>275</u>	<u>-</u>	<u>-</u>

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

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11. Analysis of consolidated net assets between funds

	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2020 £000
Fixed assets	5,309	42,103	8,040	55,452
Current assets	2,092	617	134	2,843
Current liabilities	(536)	-	-	(536)
Liabilities due after one year	(54)	-	-	(54)
Total net assets	6,812	42,720	8,173	57,705

12. Consolidated statement of funds

	Balance at 1 April 2019 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	Balance at 31 March 2020 £000
Unrestricted funds						
Designated funds:						
Capital projects (a)	3,838	-	(251)	-	89	3,676
Heritage assets (b)	12	-	-	-	-	12
Revaluation reserve	1,673	-	-	(41)	(10)	1,622
General funds	1,047	6,025	(5,491)	-	(79)	1,502
Total unrestricted funds	6,570	6,025	(5,742)	(41)	-	6,812
Restricted funds						
Capital reserve (c)	34,173	-	(833)	-	1,193	34,532
Heritage assets (d)	70	-	-	-	-	70
Revaluation reserve	9,041	-	-	(1,458)	(83)	7,500
Conservation projects (e)	67	104	(106)	-	-	65
Education fund (f)	46	129	(155)	-	-	20
Infrastructure fund (g)	26	1,382	(19)	-	(1,110)	279
Publication fund (h)	3	-	(3)	-	-	-
Archive and library fund (i)	32	120	(132)	-	-	20
Curatorial projects (j)	183	457	(485)	-	-	155
Collection Services fund (k)	-	-	-	-	-	-
Gallery refurbishment (l)	20	-	(20)	-	-	-
Educational and research fund (m)	-	-	0	-	-	-
Temporary Exhibition infrastructure (n)	(53)	201	(70)	-	-	78
Total restricted funds	43,608	2,393	(1,823)	(1,458)	0	42,720
Endowment fund	9,270	140	-	(1,237)	-	8,173
Total funds	59,448	8,558	(7,565)	(2,736)	-	57,705

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

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

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

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

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

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

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

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

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

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

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

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

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

n) The temporary exhibition infrastructure fund is for the ticketing and other infrastructure costs associated with starting a paid exhibition programme.

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

	Notes	2019-20 £000	2018-19 £000
Net income/(expenditure) for the year (as per the statement of financial activities)		853	(1,171)
Adjustments for:			
Depreciation charges	8a)	1,087	1,076
Dividends and interest from investments	4	(355)	(343)
(Increase)/decrease in stock		32	(39)
Decrease/(increase) in debtors	9	(139)	1,472
(Decrease)/increase in creditors	10	(161)	39
Net cash provided by (used in) operating activities		<u>1,317</u>	<u>1,034</u>
		Group	Group
		2020	2019
		£000	£000
Analysis of cash and cash equivalents			
Cash in hand		<u>1,703</u>	<u>1,279</u>

14. Hertford House Marketing Limited

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

Statement of comprehensive income

	2019-20 £000	2018-19 £000
Turnover	1,497	1,417
Cost of sales	<u>(299)</u>	<u>(207)</u>
Gross profit	1,198	1,210
Administrative expenses	<u>(572)</u>	<u>(593)</u>
Operating profit	626	617
Interest receivable	<u>2</u>	<u>2</u>
Profit on ordinary activities before gift aid payment	<u>628</u>	<u>619</u>

Profit of £632,000 (2018-19 £618,000) was distributed under gift aid to the Wallace Collection.

Reconciliation to the Consolidated Statement of Financial Activities

	2019-20 £000	2018-19 £000
Cost of sales	299	207
Administrative expenses	<u>572</u>	<u>593</u>
Gross Profit	871	800
Less: intercompany sales	<u>(6)</u>	<u>(23)</u>
Per Consolidated Statement of Financial Activities	<u>865</u>	<u>777</u>

Balance sheet

	2020 £000	2019 £000
Tangible fixed assets	13	16
Current assets	442	620
Current liabilities	(374)	(501)
Liabilities due after one year	<u>(54)</u>	<u>(105)</u>
Net assets	<u>27</u>	<u>30</u>
Share capital	-	-
Reserves	<u>27</u>	<u>30</u>
Net assets	<u>27</u>	<u>30</u>

The Current Assets include stock of £149,713 (2018-19 £180,713).

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15. Financial commitments

At 31 March 2020, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

	2020 £000	2019 £000
Not later than one year	10	11
Later than one year and not later than five years	17	27
Later than five years	-	-
Total	<u>27</u>	<u>38</u>

Hertford House Marketing Limited has no such financial commitments.

16. Financial instruments

FRS 102 requires entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during the period.

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

Liquidity Risk

Approximately 46% (2018-19: 44%) of the museum's non-endowment income was provided as Grant-in-Aid from the Department for Digital, Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant-in-Aid received from the Department of Digital, Culture, Media and Sport, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size.

Foreign Currency Risk

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

Interest Rate Risk

The museum draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements. The museum's current financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the museum's financial assets carry fixed rates of interest. As only a relatively small proportion of income £11,000 (2018-19: £9,000) is generated from interest earned, the museum is not exposed to significant interest rate risk.

17. Related party transactions

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

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17. Related party transactions (continued)

Related party	Nature of relationship	Grants, donations or income	Purchases	Outstanding balance at 31 March 2020
		received £000	£000	
National Gallery	DCMS funded body	4	-	
British Library	DCMS funded body		5	3
Tate	DCMS funded body		1	-
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group	The Lloyds Bank Group has acted as the Wallace Collection's bankers for many years on normal business terms.		
Lloyds Bank Group	António Horta-Osório is the Group Chief Executive of the Lloyds Banking Group	2	-	-
Wallace Collection Foundation (formerly Hertford House Trust)	António Horta-Osório is an ex officio trustee* of the Wallace Collection Foundation.	-	-	204
BCG	Eric Ellul is Senior Partner and Managing Director of BCG	20	-	-

* With reduced voting rights

Wallace Collection in America, Inc

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

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

During the year grants of £142,828 (2018-19 £249,909) were made to the Wallace Collection. At 31 March 2020, the WCiA had net assets of £191,123 in the form of cash at bank (2018-19 £183,940)

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

No Trustees or staff member obtained any personal benefit from the transactions disclosed above and no Trustee and or staff member had any other material transactions with the museum in the year. No Trustees held any significant interests which would conflict with their management responsibilities of the museum. Several Trustees are also supporters of the museum, and they are shown in Annex B to the Annual Report. Donations received from Trustees and their close family members in the year were £92,194 including gift aid (2018-19: £67,098). Donations received without conditions from Trustees and other related parties totalled £119,194 (2018-19: £211,098).

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

18. Contingent liabilities

There were no contingent liabilities as at 31 March 2020 (2019: Nil).

19. Post balance sheet events

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

In May 2020 the Collection received a legacy payment of £80,000 and a further amount of £40,000 was received in July 2020. As the payments had been agreed by the executors prior to the end of the reporting period, these are considered adjusting events and as such are reflected in the accounts.

As a result of the COVID-19 pandemic and the ongoing and evolving measures taken in response by governments both in the UK and overseas, some of the Collection's activities have had to cease temporarily for certain periods subsequent to the year end. This has included closure of the Museum to the public from mid-March to mid-July, and again from early November. To mitigate the financial impact, the Collection has utilised the government's Job Retention Scheme alongside its own reserves, while, on demonstration of need, the Museum is also eligible to receive further funding from the government in addition to the previously agreed Grant-in-Aid for 2020-21. The post-year end impact of COVID-19 is not considered to be an adjusting event.

