The Wallace Collection
Annual Report and Accounts 2015-16

Presented to Parliament pursuant to section 9(8) of the Museums and Galleries Act 1992

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Annual Report

Background information

The Wallace Collection was formed by four generations of Marquesses of Hertford and by Sir Richard Wallace (the illegitimate son of the fourth Marquess), between the 1780s and the 1880s. Since the 1870s the collections have been housed in Hertford House, Manchester Square, London, W1U 3BN, one of the Hertford-Wallace residences and a Grade II listed building. It was bequeathed to the nation by Lady Wallace in 1897 and opened to the public on 22 June 1900. The building has been undergoing major refurbishment since the 1990s. Admission to the museum is free.

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

The museum contains Old Master paintings, miniatures, sculpture, French furniture, porcelain and goldsmiths’ work, European, African and Asian arms and armour, and medieval and Renaissance works of art. All are of the highest quality and of international importance. Its holdings of French eighteenth-century art, European princely arms and armour, and Old Master paintings are internationally outstanding. Lady Wallace’s bequest stipulated that the collection should be preserved as a national museum ‘unmixed with other works of art’. The museum therefore keeps its own collection separate and does not lend.

The Collections

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

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

These objects (5,637 in total) encompass a superb range of fine and decorative arts from the fifteenth to the nineteenth centuries. They are housed in twenty-seven rooms and galleries on the ground and first floors, with additional Exhibition Galleries, Visitors’ Library, Lecture Theatre, Meeting Room, Education Studio and Conservation Gallery on the lower ground floor.
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The Wallace Collection is prohibited by the terms of Lady Wallace’s bequest and subsequent statute from adding to its permanent collection. Objects and archival material relevant to the Collection and the family history are occasionally acquired for the Hertford House Historic Collection. The Library and archives, held in addition to the collection, are continually updated and are an excellent source of material to enable study of eighteenth-century French art, European princely arms and armour, and French and British collecting between 1700 and 1900. There is also a handling collection of objects used for teaching and demonstration.

Objectives

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

“(4) So far as practicable and subject to the provisions of this Act, the Wallace Collection Board shall maintain the collection of objects known as the Wallace Collection and shall
(a) care for and preserve the objects in their collection;
(b) secure that the objects are exhibited to the public;
(c) secure that the objects are available to persons seeking to inspect them in connection with study or research; and
(d) generally promote the public’s enjoyment and understanding of fine and applied art both by means of the Board's collection and by such other means as they consider appropriate.”

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

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

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

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

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

In 2014, a Ten Year Plan was approved by the Trustees providing a road map for future activities to support and broaden these aims. Until 2024, the museum wants to develop into:

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

The three main areas of the Ten Year Plan – research and collection, visitors, infrastructure and finance – provide the main structure of the annual report.
Achievements and performance

Research and Collection

Research
Throughout the year, the Wallace Collection has excelled with important, internationally visible research projects. Individual projects necessarily run over several years, but two major research campaigns have come to completion.

This year has seen the final phase of the Reynolds project at the Wallace Collection. The museum has led on ground-breaking research on Reynolds’s painting techniques, the artist’s working methods and the notoriously difficult conservation of his works. As a result, fundamental knowledge about Reynolds’s painting techniques was produced and half of the museum’s twelve works by Reynolds could be cleaned. The project was accompanied by an advisory panel to guarantee highest standards and a comprehensive discussion with specialists in the field. The resulting knowledge will be crucial for many other collections preserving works by Reynolds. The project was supported by the Paul Mellon Centre and several other donors.

From 12 March to 7 June 2015, the results were presented as an exhibition with international loans – Joshua Reynolds. Experiments in Paint – that attracted over 30,000 visitors, one of the most successful exhibitions ever held at the Wallace Collection. The accompanying catalogue is an important contribution to eighteenth-century studies.

For over a decade, research on the Italian sculptures in the museum has been on-going. In March, the Wallace Collection could launch its two-volume catalogue written by Jeremy Warren, an important contribution to the field and to a better perception of the museum internationally.

Long-term research on our collection of Ottoman, Near Eastern and Asian arms and armour is on-going. The area covers a large number of languages and many areas of scholarly specialisation. Cataloguing the collection is only possible as a group effort. This past year has seen the completion of first groups of catalogue entries on Indonesian and Japanese works as well as major progress on Indo-Persian works. Neutron diffraction analysis of more than twenty Indo-Persian blades as part of the European programme at the Rutherford-Appleton Laboratory near Harwell has been carried out with important results that will feed into the cataloguing project. Research is building up towards the refurbishment of the gallery and is increasingly made available online in the collections database.

Because of the extensive knowledge on arms and armour and metal analysis at the Wallace Collection, the museum was a partner in the analysis of both the helm and sword of Henry V in Westminster Abbey.

Teaching collaborations with the Université Lille III, Oxford University and the Attingham Trust are now well established. The lecture series on the history of collecting continues successfully.

Staff Publications

Curatorial

- Capwell, Tobias, Armour of the English Knight 1400-50, London 2015


**Conservation**


• Edge, David, Williams, Alan et al., ‘Non-Destructive Methods of Analysis Applied to Oriental Swords’, *Gladius* 35, December 2015, pp.139–58.


• Williams, Alan, ‘Leonardo and Steel-making’, *The Crucible (Historical Metallurgy Society News)*, 89, August 2015, pp. 4–5

• Williams, Alan, ‘Crucible Steel in Medieval Indian and European Swords’, *Metals and Civilizations (Proceedings of BUMA VII, the seventh International Conference on the*
Presentation of the Collection, Galleries Improvements and Displays
After the opening of the new Great Gallery in the previous financial year, attention has now concentrated on improvements in the existing galleries, including, lighting, new labels and interpretation material.

Major conservation work has also improved the appearance of many galleries. This is particularly apparent with the conservation of picture frames that is possible on a new scale after the creation of a position of Assistant Conservator for frames. Ten frames were conserved, often in part reconstructed. More than sixty works of mainly Asian arms and armour were conserved and re-displayed.

Smaller displays in the galleries included presentations of the treatment of two Italian tables (from the sixteenth and nineteenth centuries) in the Great Gallery and of Thomas Lawrence’s portrait of the Countess of Blessington and its frame. Due to financial limitations there were no major exhibitions held during the year, an activity that will finally resume in the coming year.

The Reserve Gallery housing works currently not on display has received new shelving and lighting improving safety of the objects and access to the collection.

Collections Database
More than 800 entries on the collections database (Wallace Live) have been substantially improved during the year, over a thousand new images, mainly of objects that had not previously been photographed, have been added. This is substantial progress in a collection of under 6,000 objects.

As part of a new policy to put previous Wallace Collection catalogues online, the entries of the 1988 catalogue of Sèvres porcelain by Rosalind Savill have now been attached to the database entries.

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

Progress against the Ten Year Plan
Future research projects will focus on the main areas as specified in the Ten Year Plan: French eighteenth-century art and European arms and armour. Important projects in the field of French eighteenth-century art have already been successfully launched.

Research on furniture by the cabinet maker Jean-Henri Riesener has been on-going, leading to important discoveries about his technique, workshop practice and the subsequent history of works in the museum. Riesener is considered one of the greatest cabinet makers of the eighteenth century, and the museum own one of the finest groups of his work internationally. The Wallace Collection has now
established a common framework with Waddesdon Manor and the Royal Collection – two other leading Riesener collections – to pursue the research on a wider basis and with an international advisory panel.

An exhibition at the end of next year will highlight the outstanding collection of French gilt-bronze objects at the Wallace Collection. Research on the presentation and the accompanying publication has been on-going.

The museum has undertaken extensive technical examinations of four paintings on panel by Antoine Watteau. The Wallace Collection owns the largest group outside the Louvre. Research on the results is on-going.

The collaboration with Westminster Abbey on Henry V’s armour reflects the importance of arms and armour research at the museum.

For the library and archive at the Wallace Collection, progress towards the Ten Year Plan aims has been particularly substantial. The position of a library assistant for cataloguing has been made possible by external funding. As a result, the retrospective cataloguing of the library is progressing quickly and will be finished in the coming year – a major step to improve the research facilities at the Wallace Collection for museum staff, scholars and the general public. Historic sale catalogues, books on French painting, conservation, iconography and architecture have been added to the online catalogue this year. A catalogue of the Meyrick archive, containing major material on arms and armour has been completed and is now online. Internally, progress has been made towards better records management.

Major improvements have been made on the contents of the collections database, an important tool to make previous and present collections research available to a wide, international public.

**Visitors**

**Introduction**

The Director of Public Engagement leads the Public Engagement Directorate which incorporates Press and Marketing, the Events and Corporate Membership scheme, Education, Community, Access and Public programme, Gallery Team, the Retail department and managing the Restaurant and Café franchise. This year has seen the inclusion of museum’s Publications.

The overarching objective of the Public Engagement team is to contribute to the museum’s Ten Year Plan and specifically its aim:

- to be a welcoming, accessible and inspirational museum promoting our core areas to a diverse audience and encouraging learning.

In addition to the aim to attract and engage with visitors there is also a responsibility to increase income for the museum notably through the activities of the Events/Corporate Membership scheme, retail activity and the performance of the restaurant and café franchise. Inevitably visitor numbers influence these strands of income generation and 2015-16 has seen a year of consolidation of visitor numbers following the increase in visitor numbers in 2014-15 with the reopening of the refurbished Great Gallery.

The challenge of maintaining visitor numbers comes at a time when reductions in funding to the museum resulted in temporary exhibitions planned for the year being cancelled. Hence the need to maximise on the opportunities of the Joshua Reynolds: Experiments in Paint exhibition (which began in the 2014-15 financial year but ran until early June 2015) and to taking a creative approach to marketing the permanent collection through themed campaigns and programmes, for example,
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marking 300 years of the death of Louis XIV and the 600 year anniversary of the Battle of Agincourt. These activities have supplemented the regular programme of public events and activities and resulted in visitor numbers of 426,763, thereby effectively matching last years’ figure of 427,836.

This result together with significant progress in furthering our ten year plan aims – notably through the audience development activities reported in this section – has seen the Public Engagement department work in a cohesive and productive way.

Press and Marketing

The Louis XIV themed season took place during the autumn and included a series of free film showings, lectures - including an evening lecture by David Bintley, Director of the Royal Birmingham Ballet, where he discussed his latest work, The King Dances, a reimagining of the 1653 Ballet de la Nuit, in which a 14-year old Louis XIV danced the role of Apollo the sun god, and a lecture by Dr Vogtherr about Versailles and the ‘Sun King’s apartments – together with various talks and activities related to the reign of Louis XIV.

The Sinews of War : Arms and Armour from the Age of Agincourt was a display mounted by Professor Tobias Capwell (Curator of Arms and Armour) in the museum’s porphyry court. The display provided material evidence that led to greater understanding of the historical events and context of the battle. As part of the Agincourt 600 initiative various talks, activities and schools programmes took place related to this display.

During the year the museum has continued to present concerts that relate to the collection and in May, in association with the London Festival of Baroque Music presented the Baroque Players and French harpsichordist Béatrice Martin in a concert that was also broadcast on BBC Radio 3’s early Music Show.

To promote the themed seasons and to encourage engagement with the permanent collection five short films have been produced that have been released on our website and through YouTube and Facebook. These have included an introductory Louis XIV film and short features on specific items including the Hercules Pistols, 19th century Gold Boxes, the furniture of André-Charles Boulle, the work of Charles le Brun and a special film related to our Open Furniture month. The reception has been extremely encouraging with these films being viewed in excess of 300,000 times, on Facebook and You Tube combined.

Our digital and social media activity continues to grow; website sessions have increased to over 600,000, Twitter followers have increased by 20% to 30,000 and Facebook ‘likes’ have increased by 228% on 2014-15

Education and Community

The number of participants in our programme of activities for schools slightly decreased during 2015-16, due in part to changes in the curriculum that have reduced the level of emphasis on topics that the Wallace Collection is able to offer as a part of its educational work. However, the museum continues to offer free workshops to schools with creative activity at the centre of our provision.

Amongst the many activities and projects the annual Takeover Day is particularly noteworthy. The Wallace Collection partnered again this year with our local state school St Vincent’s Catholic Primary School, Marylebone celebrating children and young people’s contribution to the world of work. Overall, ninety-six pupils (primary and secondary) participated in the event and forty two (primary) pupils worked on the day in the Public Engagement department alongside museum staff. Duties undertaken included joining the Front of House team, welcoming visitors, dealing with enquiries, giving directions, working in the museum shop restocking shelves, pricing products and serving customers.
Another highlight was a new collaborative project devised with Donmar Warehouse linked to their production of *Les Liaisons Dangereuses*. The ‘Take the Stage’ project for sixth form drama students focussed on the social and cultural context of the play and the techniques and etiquette of duelling in the eighteenth century. The museum’s collection of French paintings, porcelain and furniture of the period together with arms and armour, provided ideal material for talks, discussions and practical demonstrations.

During the year, 272 events for primary schools took place, 165 secondary school events and 24 for SEN and hospital settings. This reached a total of 10,276 participants.

The Community programme reached 2,812 participants across a wide range of activities and locations. A few examples of projects delivered are outlined below;

- In October we held four ‘Out of the Frame’ Big Draw events with older people in care settings in and outside of London. For the first time we hosted a Big Draw event at the Collection, in partnership with Westminster Arts for people experiencing dementia and their carers. Participants were given the opportunity to explore different types of drawing materials in our education spaces and then went in to the galleries and selected artworks and drew directly from them.

- In February we hosted our first of four ‘discover the Wallace Collection’ sessions for people living with dementia and their carers. The session was themed around our open furniture month. Many participants reminisced about their own experiences of writing and using writing desks.

- In March we held our first session with a new community group from the Muslim Cultural Heritage Centre based in Westbourne Park. Very enthusiastic women attending a tea and tour of the Collection. The aim of the session was to introduce them to the museum and plan their five week art project inspired by our works of art.

- Throughout the year our Refugee tour guides have delivered several tours of the museum to other community groups, including Crisis Skylight English classes and Islington Refugee services. These sessions have been really successful, with over 30 people turning up for one of the tours, many of whom had never been to the museum before.

- The generous support of the Lord Leonard and Lady Estelle Wolfson Foundation has allowed the Wallace Collection to work with Stagetext, a charity which provides captioning and live subtitling to make our public programme more accessible to people who are deaf, deafened or hard of hearing. With the help of Stagetext we are now able to offer a proportion of our talks and lectures accessible through live subtitles, also known as speech-to-text transcription. A speech-to-text reporter, working from home, listens to what is being said via a mobile phone or loudspeaker and sends a verbatim transcription to a web browser. This is then delivered as text to handheld tablets or is projected directly onto the screen in the lecture theatre. We ran trials in August and began delivering our advertised events in September with great success.

Our varied programme of public events, classes, workshops, talks, lectures runs throughout the year with over 1,000 events delivered in 2015-16. A few examples of the public programme are mentioned below;

- Back on Display – five objects from the museum’s reserve collection took turns in the spotlight for two weeks each in the temporary exhibition galleries. This display was organised by a group of staff drawn from across the museum.

- Open Furniture month (February) – a series of lectures and talks showing designs and
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craftsmanship, usually unseen, of many of the museum’s extraordinarily fine collection of furniture.

• Stations of the Cross - the Wallace Collection worked closely with Dr Aaron Rosen from King’s College London on a multi-venue project for Lent. Linking fourteen locations across London, the aim was to tell the story of the Passion in a new way, for people of different faiths. The Stations were located in religious as well as secular spaces, from cathedrals to museums and presented art works ranging from Old Master paintings to contemporary video installations. As well as hosting two debates, our Treasure of the Month, Simon of Cyrene helps Jesus carry the cross, twenty-four plaques after Albrecht Dürer's Small Passion woodcut series, Limoges, France, c.1570- c.1625, was part of the trail and the event attracted new visitors to the Collection. The Twitter account hashtag for the trail, which included art works at the National Gallery, St Pauls and Westminster Cathedral, had over 1.5m impressions.

• A significant portion of the Wallace Collection’s public programme is delivered by our volunteer guide lecturers. During the year over 650 tours were led by these dedicated, enthusiastic and generous individuals. We would not be able to function as effectively and provide the quantity and quality of public engagement without their commitment. Volunteers also help in education, collection services and other departments and the Wallace Collection acknowledges their contribution and thanks them all for their ongoing support.

In line with the museum’s ten year plan and specific to the work of the Public Engagement department is the aim to develop our audience by engaging a younger audience and broadening our visitor demographic. Much of the work outlined above links directly to this objective, notably the community programme which also incorporates and is informed by the work of the museum’s Access committee. Other specific audience development projects are the ‘Lates’ programme and the recently launched ‘Wallace Youth’ initiative.

• 2015-16 has seen three ‘Lates’ and, due to financial pressures, the transition from these events being free to being charged for. Reaching a younger audience was achieved by marketing to new audiences through fruitful partnerships with The Londonist and Y Plan. Audiences have increased for each ‘Late’ beginning with the Experiments in Paint event (linked to the Joshua Reynolds exhibitions) in June, followed by the October Late themed around the 300th anniversary of the death of Louis XIV (430 guests enjoyed a range of entertainments, including Cire Trudon, the official wax candle providers for Louis’s court at Versailles, Alternative London , who ran Molière-inspired street art mask-making workshops and Norwegian artist, Kim Thomé, who created an installation referencing our Boulle marquetry). The third ‘Late’ of the year was in February and once again was curated by Sadie Lee for LGBTQI history month. Look OUT was sold out and our busiest ever Late with over 450 tickets sold. The quality of artists attracted a new and diverse audience.

• In June, with financial support from Lloyds Banking Group, we extended our Young Curators programme and created Wallace Youth – a group of 25 young people between 14 and 18 years was established who will work with the museum to shape and influence its endeavours to attract a younger visitor. The group have been active in public programming, contributed to content of our What’s On publication and have taken part in workshops, visited other galleries and attended an art history course in addition to their regular monthly meetings. As this group becomes more established and knowledgeable it is anticipated that their involvement and input will significantly increase.
Events and Corporate Membership

2015-16 was a successful year for corporate event hire. Corporates booked early and a significant proportion added private views and guides to the basic venue hire. While the overall number of events did not increase significantly, the value of the events did increase with an average increase of 11% on 2014-15. In 2015-16 we secured 12 new corporate members.

Although there is increasing competition within the sector, 78 events bookings were secured during 2015-16 and the income generated exceeded budget. Hertford House and its collection of art works provides a unique venue for corporate entertaining and the team have enjoyed a highly successful year in maximising the opportunities available.

Retail

The year has seen a restructuring of the Front of House and Retail team, resulting in a greater focus and the introduction of specific retail experience to the department’s activities. A Retail Operations manager has been appointed together with a part-time Product Buyer and Developer. A thorough review of stock and product has taken place and operational improvements have been made. The average spend per visitor has increased and further plans are being formulated to increase the income generated through retail activity.

The restructure has allowed for improved management of our publications and book buying and March saw a very successful launch of the new Wallace Collection catalogue – *Italian Sculpture* by Jeremy Warren.

Gallery Team

The Gallery Team continue to perform an important role in the engagement of the museum with its visitors. A training programme ran during this period that reiterated the importance of the Gallery Team’s role and the need for them to be welcoming, informative and engaging. The value of ‘word of mouth’ recommendation by visitors is understood and valued and through the training programme, ensuring staffing levels are maintained and the strengthening of the management structure and procedures, the Gallery Team has performed to a very high standard throughout the year.

Wallace Restaurant and Café

Peyton and Byrne reported a significant increase of in the number of covers in 2015-16, however, more visitors choose to eat in the café rather than the restaurant resulting in income falling by 6%. A greater degree of collaboration, notably linked to extended opening times of the Joshua Reynolds exhibition and the catering offer at the ‘Lates’ has been extremely positive and bodes well for future developments and marketing initiatives.

Progress against the Ten Year Plan

2015-16 has seen significant progress on several areas relating to the objective of a welcoming, accessible and inspirational museum promoting our core areas to a diverse audience and encouraging learning identified in the Ten Year Plan.

The museum’s Access Committee has been reconvened and, following an internal audit, has implemented various improvements and initiatives. New self-propelled wheel chairs have been bought, new braille floor plans made available, improvements to signage, Stagetext, BSL assisted, and events for blind and partially sighted visitors are run regularly as part of our public programme and a new hearing loop has been purchased. A review of the museum’s Access Policy has recently been completed and the associated action plan updated.
Various audience development initiatives have been devised and ongoing projects reviewed and adapted or expanded. A range of activities has taken place targeting excluded or marginalised groups in society, for example, developing our programme of refugee tours and taking part in Refugee Week (a week that celebrates the contribution of refugees to the UK and promotes better understanding of why people seek sanctuary); our ‘Out of the Frame’ programme that delivers workshops in a variety of settings in and outside London for people experiencing dementia; and a five-week art project using the Collection to inspire a group of women from the Muslim Cultural Heritage Centre to create their own works.

The launching of the Wallace Youth project has allowed us to expand the scope of the Young Curators programme to involve young people (aged 14 to 18 years) from local secondary schools. These young people will also have the opportunity to play an active role in the museum, including, but not limited to:

- Advising management on policies and programmes that directly affect other young people
- Helping to plan the programme for young people offered at the Museum
- Volunteering at young people’s workshops and/or family events
- Developing apps, films or other digital content for the Museum
- Writing for the Wallace Collection Blog
- Delivering specialist ‘Brief Encounter’ talks during the school holidays
- Participating in the Takeover Day.

The other major achievement has been the continued success of the ‘Lates’ programme that has attracted a younger, often first-time visitor to the museum. In excess of 1,200 have attended these events and having worked various partners on these events, for example, with University of the Arts, London and the LGBTQI community, we have broadened the demographic of our visitors and increased levels of engagement with a more diverse audience.

**Infrastructure and Finance**

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

**Progress against the Ten Year Plan**

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

During the year, the final elements of work on the Great Gallery refurbishment were completed and changes were made to the Reserve Gallery that improved the environment for the objects stored in it. Preliminary work on the planned refurbishment of the West Galleries was undertaken. There was also a review and major audit of the ISIS display-case alarm system.

A substantial refurbishment of the public lift took place that was funded by the DCMS.

The fire alarm system was upgraded and work continued on the programme of electrical testing. Repairs were made to the roof, some of the plant and machinery was refurbished, and the drainage for the museum was improved. A major tendering exercise for the building services contract was carried out.

Support arrangements for the museum’s computer servers were rationalised. An upgrade to the IT cabling infrastructure was started.
Several energy efficiency measures were implemented including the installation of more LED lighting.

The Wallace Collection is not required to produce a Sustainability Report as it employs fewer than 240 full-time staff. Nonetheless, sustainability is an issue that it takes seriously and an energy and sustainability review of the year was carried out. This has led to the agreement of an action plan by the Senior Management Team and the establishment of a sustainability group.
Financial Review

Financial results

The museum launched an endowment fund for the first time during the year and secured £4.3m of donations to the fund. The endowment is a permanent one from which the museum can use the income to support its unrestricted and restricted activities.

The largest source of income (after donations to the endowment fund) was Grant in Aid from the Department for Culture, Media and Sport. At £2.791m (2014–15: £2.962m) this represented 49% of the group’s non-endowment income for the year (2014-15: 47%).

Other donations reached £1.248m, a fall on the previous year (£1.828m) reflecting the completion of the majority of the refurbishment of the Great Gallery in 2014-15. (While income received for capital projects, such as refurbishments, is shown in the accounts in the year it is received, the expenditure – in the form of depreciation - is spread over the life of the asset that it funds.)

Trading income grew to £1.568m from £1.374m in 2014-15. The main area of growth was in gallery hire income following the completion of the Great Gallery refurbishment.

Expenditure fell from £6.412m in 2014-15 to £6.161m. The main reason for the fall was the completion of the Great Gallery work.

Investment policy and objectives

Following the establishment of the endowment fund, the museum now 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 were appointed during the year, Rathbone Investment Management Limited and Troy Asset Management Limited.

Financial risks

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

Reserves policy

The reserves policy agreed by the Trustees is to hold unrestricted and undesignated reserves of between one and three months’ expenditure with a target of three month’s expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at 31 March 2016 of £1.55m (2014-15: £1.329m) represents cover of approximately three months, as in 2014-15.

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

Payment of creditors

During 2015–16, the Wallace Collection paid 92% of undisputed creditors within 30 days of receipt of an invoice (2014–15: 92%).
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Performance

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

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<td>Number of visits to the museum</td>
<td>426,703</td>
<td>427,836</td>
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<td>Charitable giving (fundraising)</td>
<td>£5,583,000</td>
<td>£1,828,000</td>
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<th>Other performance indicators:</th>
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<td>Access</td>
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<td>Number of unique website visits</td>
<td>611,587</td>
<td>600,838</td>
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<td>Audience profile</td>
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<tr>
<td>Number of visits by children under 16</td>
<td>22,569</td>
<td>17,113</td>
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<tr>
<td>Number of overseas visits</td>
<td>157,880</td>
<td>175,412</td>
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<td>Learning</td>
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</tr>
<tr>
<td>Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education</td>
<td>10,276</td>
<td>11,440</td>
</tr>
<tr>
<td>Number of instances of visitors under 18 participating in on site organised activities</td>
<td>10,442</td>
<td>11,734</td>
</tr>
<tr>
<td>Visitor satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of visitors who would recommend a visit</td>
<td>90</td>
<td>83</td>
</tr>
<tr>
<td>% of visitors who were very satisfied with their visit</td>
<td>94</td>
<td>84</td>
</tr>
<tr>
<td>Self generated income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading income (net profit)</td>
<td>£553,010</td>
<td>£437,000</td>
</tr>
</tbody>
</table>

Sources of data

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

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

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

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

Preparation of the Accounts

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of 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, the Charities Act 2011 and with Charity Commission guidance.

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The Wallace Collection Annual Report and Accounts 2015-16

The consolidated accounts are for the Wallace Collection and Hertford House Marketing Limited; they exclude the accounts for the Wallace Collection Foundation (formerly the Hertford House Trust), as this is an entirely separate organisation over which the Wallace Collection exercises no control.

Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Wallace Collection’s consolidated accounts for the year 2015-16. The audit fee in respect of this work was £21,000. Other than the statutory audits of the Wallace Collection and Hertford House Marketing Limited, and an internal audit service, no other accountancy or audit services were commissioned or undertaken in the year. External auditors are engaged for the trading subsidiary audit and internal audit services.

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

Staff and organisation

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

Sickness absence

Sickness absence accounted for 1.96% of all staff time during 2015–16 (2014–15: 4.87%), or 4.97 days per staff member (2014–15: 12.32 days). Last year, a small number of staff were on long-term sick leave which contributed to the higher figures. Most of these have since left.

Dr Christoph Vogtherr 7 July 2016
Director and Accounting Officer

António Horta-Osório 7 July 2016
Chairman
The figures in the remuneration report are subject to audit.

In accordance with the Financial Reporting Manual the Wallace Collection has prepared this Remuneration Report containing certain information about directors’ remuneration. ‘Directors’ is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the museum. These members of staff constitute the Senior Management Team (Annex A), however, executive authority over the decisions of the museum as a whole remains in the hands of the Director, guided by the Chairman and Board of Trustees.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2014–15: £Nil). The emoluments and pension details of the Director are disclosed below, together with the rest of the Senior Management Team.

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary 2015-16 £000</th>
<th>Bonus 2015-16 £000</th>
<th>Pension benefits 2015-16 £000</th>
<th>Total 2015-16 £000</th>
<th>Salary 2014-15 £000</th>
<th>Bonus 2014-15 £000</th>
<th>Pension benefits 2014-15 £000</th>
<th>Total 2014-15 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Christoph Vogtherr</td>
<td>85-90</td>
<td>85-90</td>
<td>10-15</td>
<td>140-145</td>
<td>85-90</td>
<td>85-90</td>
<td>10-15</td>
<td>135-140</td>
</tr>
<tr>
<td>Derek Purnell</td>
<td>60-65</td>
<td>55-60</td>
<td>-</td>
<td>60-65</td>
<td>55-60</td>
<td>55-60</td>
<td>60-65</td>
<td>55-60</td>
</tr>
<tr>
<td>Sarah Harmer</td>
<td>65-70</td>
<td>55-60</td>
<td>-</td>
<td>65-70</td>
<td>55-60</td>
<td>55-60</td>
<td>65-70</td>
<td>55-60</td>
</tr>
<tr>
<td>David Edgar</td>
<td>50-55</td>
<td>-</td>
<td>-</td>
<td>75-80</td>
<td>(Full year)</td>
<td>(Full year)</td>
<td>(Full year)</td>
<td>(Full year)</td>
</tr>
<tr>
<td>Jeremy Warren</td>
<td>-</td>
<td>65-70</td>
<td>-</td>
<td>90-95</td>
<td>-</td>
<td>90-95</td>
<td>90-95</td>
<td>90-95</td>
</tr>
<tr>
<td>Phil Walsh</td>
<td>-</td>
<td>50-55</td>
<td>-</td>
<td>75-80</td>
<td>(Full year)</td>
<td>(Full year)</td>
<td>(Full year)</td>
<td>(Full year)</td>
</tr>
</tbody>
</table>

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.

A payment of £74,253 in respect of redundancy and compensation in lieu of notice was made in 2015-16 to Jeremy Warren, who was Director of Collections and a member of the Senior Management Team until 31 March 2015. He continued work for the museum in another capacity until September 2015 and his pay in that capacity was £29,811 with pension benefits of £16,000. No severance or compensation payments were made to senior managers during 2014–15.

An Interim Director of Finance was employed through an agency. Payments to the agency amounted to £16,836 between 1 April and 29 May 2015 (2014-15: £17,934).
Sarah Harmer and Derek Purnell chose not to be covered by the Civil Service pension arrangements during the reporting year or the previous year.

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.

One of the senior managers (to 31 March 2015), Jeremy Warren, received an additional five days leave per annum in line with the Wallace Collection’s policy for all staff in relation to long service. No other benefits in kind or non-cash benefits of value were received by senior managers.

The banded remuneration of the Director in the current financial year was £100,000–105,000 (2014–15: £95,000–100,000). This was 5.1 times the median remuneration of the workforce (2014–15: 5.0 times). The median total remuneration of the workforce in the current financial year was £20,200 (2014–15: £19,402). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind.

The Director’s performance-related bonus is decided by the Remuneration Committee, which consists of the Chairman, plus the Trustee members of the audit committee (Annex A), and is based on the restrictions of the Director’s contract and against achievement of the museum’s objectives. The Director’s contract commenced in October 2011 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.

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 Principle Civil Service Pension Scheme (PCSPS). The PSCPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 0.8% of
pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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](http://www.civilservicepensionscheme.org.uk).

Dr Christoph Vogtherr 7 July 2016
Director and Accounting Officer

António Horta-Osório 7 July 2016
Chairman
Statement of Trustees’ and Accounting Officer’s Responsibilities

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

In preparing the Wallace Collection’s accounts*, the Trustees are required to:

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

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

Dr. Christoph Vogtherr 7 July 2016

Director and Accounting Officer

António Horta-Osório 7 July 2016

Chairman

*A copy of which are available from the Wallace Collection, Hertford House, Manchester Square, London, W1U 3BN
The Wallace Collection Annual Report and Accounts 2015-16

Governance Statement

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

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

The Board of Trustees

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

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

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

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

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

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

Board effectiveness

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

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

The Director is satisfied that all of his Accounting Officer duties have been satisfactorily met up to the date of this report.

Trustee appointments

The Trustees are appointed by the Prime Minister. The minimum number of Trustees is set at six, and there is no maximum. At 31 March 2016, there were nine 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 the DCMS who in turn recommend names to the Prime Minister. Traditionally, the Prime Minister chooses from among the names put forward, and appointments are apolitical. The procedure is subject to the recommendations of the Nolan report. Usually appointments are for not more than four years in the first instance, but with the option of reappointment. Trustees can resign by notice in writing to the Prime Minister.

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

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

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

Compliance with Corporate Governance Code

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

Report from Audit Committee

The Audit Committee is responsible for reviewing the museum’s key risks, and the controls in place to manage them, and monitoring its compliance with statutory requirements – including the Annual Report and Accounts. The Committee reports on its work at each Board meeting. During the year, it received and considered management accounts at each meeting. It received reports from external auditors on the accounts for 2014-15 and on planning for the 2015-16 audit. The internal auditor reported to the Committee on his findings. The risk register was received and reviewed in its entirety during the course of the year.
The Wallace Collection Annual Report and Accounts 2015-16

Report from Investment Committee

The Investment Committee considered and agreed an investment policy for the investment of the endowment fund. It also appointed investment fund managers. 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 including the Director (the SMT) who are responsible for the strategic management of the Wallace Collection, and as part of this set the tone for the museum’s approach to, and appetite for, risk. This varies depending upon the specific issue. This approach is considered to be appropriate to the Wallace Collection given its size and enables it to maintain a flexible approach to risk.

The museum works to meet the objectives set out in the Ten Year Plan and the Achievements and Performance section of this report sets out progress against these objectives. The day to day risks associated with these activities are managed, constantly challenged and updated through the meetings of staff set out under the Wallace Collection Staff section above.

These risks, be they 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, and this register is reviewed by the Audit Committee and considered by the Board. It covers the key risks that the Wallace Collection faces and assigns a key individual to manage each risk.

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

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

The key risk priorities of the Wallace Collection in 2015–16 have continued to be:

- Managing the impact of increasing visitor numbers whilst improving their understanding of the Collection;
- Planning for the future against a backdrop of reduced funding;
- Increasing self generated income without increasing the risk to the fabric of the building or to the mission of the museum;
- Guaranteeing the scholarly quality of the museum’s activities and improving its international position under severe financial constraints;
The Wallace Collection Annual Report and Accounts 2015-16

- Securing the Collections and protecting them from theft and damage; and
- Keeping the precarious balance between financial constraint, increasing pressure to expand services and maintaining and improving the fabric of a Grade II listed building.

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

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

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

Data handling

The Wallace Collection has suffered no protected personal data incident during 2015–16 or prior years and has made no such report to the Information Commissioner’s office.

Dr Christoph Vogtherr 7 July 2016
Director and Accounting Officer

António Horta-Osório 7 July 2016
Chairman
The Wallace Collection Annual Report and Accounts 2015-16

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:

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Appointed</th>
<th>Further notes</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Horta-Osório</td>
<td>January 2015</td>
<td>Chairman</td>
<td>4/4</td>
</tr>
<tr>
<td>Adrian Sassoon</td>
<td>August 2007; reappointed August 2011</td>
<td>Term ended on 7 August 2015</td>
<td>1/2</td>
</tr>
<tr>
<td>Dr Ashok Roy</td>
<td>January 2013</td>
<td></td>
<td>3/4</td>
</tr>
<tr>
<td>The Duke of Devonshire CBE</td>
<td>August 2007; reappointed August 2011</td>
<td>Term ended on 7 August 2015</td>
<td>2/2</td>
</tr>
<tr>
<td>Professor Frances Corner OBE</td>
<td>September 2009; reappointed September 2013</td>
<td>Chair and Member of the Audit Committee until 28 September 2015 (2/2)</td>
<td>3/4</td>
</tr>
<tr>
<td>Sir Hugh Roberts GCVO, FSA</td>
<td>January 2013</td>
<td></td>
<td>4/4</td>
</tr>
<tr>
<td>Jagdip Jagpal</td>
<td>August 2007; reappointed August 2011</td>
<td>Term ended on 7 August 2015</td>
<td>1/2</td>
</tr>
<tr>
<td>Professor Jasper Conran OBE</td>
<td>August 2007; reappointed August 2011</td>
<td>Term ended on 7 August 2015</td>
<td>1/2</td>
</tr>
<tr>
<td>Jennifer Eady QC</td>
<td>January 2013</td>
<td></td>
<td>4/4</td>
</tr>
<tr>
<td>Jessica Pulay</td>
<td>January 2013</td>
<td>Member of the Audit Committee; Chair from 29 September 2015 (3/3)</td>
<td>4/4</td>
</tr>
<tr>
<td>Kate de Rothschild Agius</td>
<td>January 2013</td>
<td></td>
<td>4/4</td>
</tr>
<tr>
<td>Rupert Hambro CBE</td>
<td>January 2013</td>
<td>Member of the Audit Committee from 25 January 2016 (1/1)</td>
<td>3/4</td>
</tr>
<tr>
<td>Timothy Schroder</td>
<td>January 2013</td>
<td></td>
<td>3/4</td>
</tr>
</tbody>
</table>

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

A register of interests for all Trustees is held at Hertford House.
The Wallace Collection Annual Report and Accounts 2015-16

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

Dr Christoph Vogtherr  Director
Sarah Harmer  Head of Fundraising
Derek Purnell  Director of Public Engagement
David Edgar  Director of Finance and Operations (from 11 May 2015)
David Robertson  Interim Director of Finance (from 19 February to 29 May 2015)

Directors of Hertford House Marketing Limited during the year

Dr Christoph Vogtherr
Dr David Edgar (appointed 14 April 2015)

Bankers
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

Auditors
The Wallace Collection  Comptroller and Auditor General
(Consolidated Accounts)  National Audit Office
157–197 Buckingham Palace Road
London SW1W 9SP

Hertford House Marketing Limited  haysmacintyre
(Trading Company)  24 Red Lion Square
London WC1R 4AG

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

Guggenheim Investment Advisors (Suisse) SA
8 rue St-Leger
1205 Geneva
The Wallace Collection Annual Report and Accounts 2015-16

Annex B - Wallace Collection Supporters 2015–16

The list below gratefully acknowledges individuals, trusts and foundations and corporate members who have generously supported the Wallace Collection from 1 April 2015 to 31 March 2016.

**Benefactors**

*Hertford Circle*
Colette and Philip Hubbard
Jake and Hélène Marie Shafran

*Seymour-Conway Group*
Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Ms Nada Bayoud and Mr Andrew Wynn
Alex Bouzari
The Deborah Loeb Brice Foundation
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Dame Vivien Duffield
Hon Simon Eccles
Mr and Mrs Nadar
Pamela Roditi
Adrian Sassoon
Carolyn Townsend
Jack Verhoeven
Arend and Cecilia Versteegh

And all those who wish to remain anonymous

**Patron Group**

Bruce Bossom
Mrs Charles H. Brown
Ian Butchoff
Peter and Sally Cadbury
Oliver and Cynthia Colman
Mrs Rima Connelly
Tommaso Crackett
Mrs M. David-Weill
Ms Miel de Botton
Jolanta Devlin
Mr & Mrs Richard Dorment
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Nicholas and Gillian Eeley
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Lt Cdr Paul Fletcher
Sam Fogg
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Lawrence and Marilyn Friedland
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David Lawson
Mark and Liza Loveday
Molly Lowell and David Borthwick
Richard Mansell-Jones
Hugh and Victoria Merrill
Diane A. Nixon
Jim and Debbie Norling
Christopher and Sophie North
John and Jean Northover
Roslyn Packer AO
The Lord and Lady Phillimore
Jessica Pulay
Timothy and Ellen Schroder
Mr and Mrs Nick Silver
Anthony and Jacqueline Todd
Tsukanov Family Foundation
Mark and Caroline Van Oss
Bruno Wang
Alan and Sue Warner
John Watson and Betsy Blackwell

And all those who wish to remain anonymous

**Companion Group**

Viscountess Bridgeman, The Bridgeman Art Library
D. S. Casstles
Charles Cator
The Marquess of Cholmondeley
Christopher Clarke
Dr Jutta M. Davis
Mr Patrick K. F. Donlea FCA
Giles Ellwood
Michael MacCallan
Whitney and Elizabeth MacMillan
Jennifer Montagu
In memory of the late A V B Nick Norman
Matthew Olley
Christyphilps
Charles and Caroline Pridgeon
Sir David and Lady Sieff
Dr Lady Tunnicliffe
Patricia Wengraf Ltd
The Wallace Collection Annual Report and Accounts 2015-16

Mr and Mrs Rainer Zietz

And all those who wish to remain anonymous

Individual Supporters
Sheikh Hamad bin Abdullah Al Thani
Kate de Rothschild Agius and Marcus Agius
Lady Alexander of Weedon
Richard and Mara Aylmer
Ms Nada Bayoud and Mr Andrew Wynn
Michele Beiny Harkins
Berry Bros & Rudd
Mr Harold Berry
Sir Winfried Bischoff
Alex Bouzari
Mr and Mrs Nicolas Cattelain
Margaret Chambers
Mr and Mrs Clavarino
Andrea Collins
Mr and Mrs Richard Dorment
Deloitte Foundation
The Desmond Foundation
Deutsche Bank AG
Martin and Elizabeth Drury
Mr Jean-Francois Ducrest
Antonio Esteves
Tom Ford and Richard Buckley
Mr E J Gold
Mr and Mrs Gilles Graham
H S Gross
Guggenheim Investments
Katrin Henkel
Dr Alan J Horan OBE and Mrs Horan
Mr and Mrs António Horta-Osório
Mr Nigel Israel
Mrs Charmaine von Mallinckrodt
Stefano Marsaglia
Mckinsey & Company
Morgan Stanley International plc
Mr and Mrs Nadar
Mrs Batta Ofer and Mr Idan Ofer
Jim O'Neil OBE
Mr Clifford Paice
Paulo and Caroline Pereira
Ilidio Pinho
Jessica Pulay
Banco Sabadell
The Hon. Michael and Julia Samuel
Mr and Mrs Serra
Jake and Hélène Marie Shafran
Sir David and Lady Sieff
Tulchan Communications LLP
Arend and Cecilia Versteegh
Bruno Wang
Mary and Ted Wendell

The Weston Family
Chris and Amanda Williams
Mr and Mrs A Wilmot-Sitwell

And all those who wish to remain anonymous

Trusts and Foundations
Agincourt 600
The H.B. Allen Charitable Trust
The John Armitage Charitable Trust
The Art Fund
The Aurelius Charitable Trust
The Austin and Hope Pilkington Trust
The Blunt Trust
The John S Cohen Foundation
The Elizabeth Cayzer Charitable Trust
The Excel Fund
The Kirby Laing Foundation
The Leche Trust
The Leverhulme Trust
The Paul Mellon Centre for Studies in British Art
The Monument Trust
The NADFAS
The N.J.T. Foundation
The Ofenheim Charitable Trust
The Radcliffe Trust
The William Arthur Rudd Memorial Trust
The Michael Samuel Charitable Trust
The Schroder Charity Trust
The Garfield Weston Foundation
The Barbara Whatmore Charitable Trust
The Lord Leonard and Lady Estelle Wolfson Foundation

And all those who wish to remain anonymous

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Great Gallery Members
Delancey
Lloyds Banking Group
TOTAL
Hertford House Members
Coniston
Credit Suisse
Deloitte LLP
Helaba – Landesbank Hessen-Thüringen
Kleinwort Benson
Knight Frank LLP
LaSalle Investment Management
TD Securities
Vinson & Elkins RLLP
### Courtyard Members
- Barring Asset Management
- BNP Paribas
- Eagle Eye Solutions
- New Bridge Street
- The Portman Estate

### Friends

- Richard Abramson
- Khaled Al-Sabah
- Bill Asprey
- Caroline Baker and Guy Carmichael
- Joy and Simon Bamford
- Howard Beach
- Mary Bennett
- Simon Bentley
- Paul Best
- Peter Blott and Winnie Malcolm
- Robert and Elisabeth Boas
- Marius-Paul de Bono
- Clare Bowring
- James and Helen Bradley
- The Hon Christopher Brightman and Kathryn Edwards
- George Russell Brown
- Eleanor Browne
- Nigel and Georgina Bunner
- Mary Burdett-Jones
- Margaret Burke
- John Burnett
- Sally Burton
- Kees Cappon and Ellen Fleurbaay
- Albert Clarke
- Veronica Cohen
- Jon Collie
- Martin Collins
- Linda Cooper
- Michael Corby
- Maureen Craven
- David Cruise
- Elaine Curtis
- Jutta Davis
- Neil Dilling
- Daniel and Sarah Donovan
- Updesh and Nina Dosanjh
- Jonny and Julia Duval
- Jennifer Enslow
- David Evans
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- Caroline and Mr Jonathan Exten-Wright
- Freda Fitzmaurice
- Janette and William Forbes
- Francis Ford
- Teresa Fryer
- Stephen Gee
- John Giusti
- Sue Ann Gladhaug
- Joseph and Lilian Gorden
- Caroline Goulding
- Tor Graberg
- Sheila Green
- Nigel Grey-Turner
- Jennifer Grice
- Vivienne Guenancia
- Ian and Susan Harley
- Mark and Karen Harris
- Jonathan Harris
- John Hatchett
- Sara Heaton
- Clara Hendra
- Gabriel Herbert
- Malcolm Herring
- Julian Hill
- John Hillman
- David John Hislop and Margaret Hargraves
- William Holmes and Sheelagh Littlewood
- Angela Howard
- Laurence Humphreys-Davies
- Yize Huyan
- Maria Muybens and Andy Forbes
- Ruth Ingman
- Layth Irani and Carmen Gonzalez
- Peter and Susan Jacobs
- Ann Marie Johnson
- Gareth Jones
- Vasilisa Kameneva
- Paul Keenan
- Katherine Kent
- William and Joanna Kessler
- Jeong Suk Kim
- Martin and Katherine
- Natalia Kionstatch
- Patricia Kliman
- Robyn Koh
- Jozsef Kophazi
- Susan Krisman
- Denise Kuehn
- Arvind and Shirley Lall
- Sir Brian Langstaff
- Melanie Larkin
- Hubertus Lau
- Kathleen Lavelle
- Christopher Lee
- Ann Lees
- Jean Lightband
- Charmaine Lines-Smith and Jeff Bailey
- Luz Loizou
- Beatrice Lupton
- Michael MacCallan
Christine Mackenzie
Annie Mackeson-Sandbach
Kim and Elizabeth Martin
Tania Jane Mason
Hugh and Felicity Mather
Canan Maxton
Anna McCrum
Charity McEvoy
Michael and Lynne McGowan
Christiane Menicot
Carol Montagu
Natasha Mounier
Wendy Mullins
Ann Taylor
Midori Nishiwaki
Colleen Noordhof
Roshini Nulliah
Gloria O’Leary
Henry Osborne
Charles Overd
Melvyn Paige-Hagg
Michael Parker
Alexander Paul
Andrew Pitt
G Pollak
J.H. Rahman
Jennifer Rayner
Nigel Reardon-Lepine
Alison Reed
Nigel and Carol Reynolds
Chantal Richardson
Patricia Righton
Keith Robinson and Bernard H Wildt-Meyboom
Frances Rollason
Anne Rosen
Beverley Rowe
Marion Rubens
Kerry and Dimity Rubie
Mary Sampson
Ann Loreille Saunders
Dame Rosalind Savill
Michael Sayer
Emma Jane Scott
Richard and Elizabeth Setchim
Harvey Shepherd
Andrew Shingleton
Howard Simmons
Sybil Vera Sinclair
Alan Smale
David Spearing
Jennifer Stern
Anne Stevens
Carole Stone
Angela Tanner
Rodney Taylor
Michael Theobald
David Thomas
Cheryl Tolley
Mary Townley
Jennifer and Martin Tucker
Roger and Jennifer Turner
Karen Walker
Victoria Wardle Thomas
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Brian Wharton
Baroness Jane Willoughby de Eresby
Stephen and Kate Wilson
Elizabeth Wood
Angela Wright
Karen Wyatt
Caitlin Zaiken

And all those who wish to remain anonymous

Other generous supporters

Department for Culture, Media and Sport
Wallace Collection Foundation (formerly
Hertford House Trust)
The Wallace Collection Annual Report and Accounts 2015-16

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

I certify that I have audited the financial statements of The Wallace Collection for the year ended 31 March 2016 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Collection’s Statement of Financial Activities, the Consolidated Balance Sheet, the Collection’s Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the group’s and of the Wallace Collection’s affairs as at 31 March 2016 and of its net income/expenditure for the year then ended; and
The Wallace Collection Annual Report and Accounts 2015-16

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

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

Matters on which I report by exception
I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury’s guidance.

Report
I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

13 July 2016
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
The Wallace Collection Annual Report and Accounts 2015-16

Consolidated Statement of Financial Activities
for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>Unrestricted Funds</th>
<th>Restricted Funds</th>
<th>Endowment Fund</th>
<th>Total Funds 2015-16</th>
<th>Unrestricted Funds - restated</th>
<th>Restricted Funds - restated</th>
<th>Endowment Fund - restated</th>
<th>Total Funds - restated 2014-15</th>
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<td></td>
<td></td>
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<td><strong>Income and endowment funds from:</strong></td>
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<td>Donations and legacies</td>
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<td>81</td>
<td>-</td>
<td>-</td>
<td>81</td>
<td>55</td>
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<td>Other trading activities</td>
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<td>58</td>
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<td><strong>Total</strong></td>
<td></td>
<td>5,159</td>
<td>587</td>
<td>4,335</td>
<td>10,081</td>
<td>5,067</td>
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<td><strong>Expenditure on:</strong></td>
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<td><strong>Raising funds</strong></td>
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<td>Fundraising</td>
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<td>234</td>
<td>42</td>
<td>-</td>
<td>276</td>
<td>280</td>
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<td>Marketing and design</td>
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<td>289</td>
<td>12</td>
<td>-</td>
<td>301</td>
<td>345</td>
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<td>Trading: cost of goods sold and other costs</td>
<td>15</td>
<td>958</td>
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<td>-</td>
<td>958</td>
<td>899</td>
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<td>265</td>
<td>135</td>
<td>103</td>
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<td>Collections</td>
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<td>Building and maintenance</td>
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<td>1,115</td>
<td>717</td>
<td>-</td>
<td>1,832</td>
<td>628</td>
<td>1,502</td>
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<td><strong>Total</strong></td>
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<td>6,158</td>
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<td><strong>Net gains/(losses) on investments</strong></td>
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<td>-</td>
<td>32</td>
<td>32</td>
<td>-</td>
<td>-</td>
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<td><strong>Net income/(expenditure)</strong></td>
<td>7</td>
<td>115</td>
<td>(527)</td>
<td>4,367</td>
<td>3,955</td>
<td>409</td>
<td>(600)</td>
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<td><strong>Transfers between funds</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(46)</td>
<td>46</td>
<td>-</td>
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<tr>
<td><strong>Other recognised gains/(losses):</strong></td>
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<td>115</td>
<td>(527)</td>
<td>4,367</td>
<td>3,955</td>
<td>363</td>
<td>(554)</td>
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<td>Gains/(losses) on revaluation of fixed assets</td>
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<td>698</td>
<td>-</td>
<td>771</td>
<td>640</td>
<td>3,934</td>
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<td><strong>Net movement in funds</strong></td>
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<td>171</td>
<td>4,367</td>
<td>4,726</td>
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<td><strong>Reconciliation of funds</strong></td>
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<td>Total funds brought forward</td>
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<td>46,953</td>
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<td>Total funds carried forward</td>
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<td>4,367</td>
<td>51,679</td>
<td>5,646</td>
<td>41,307</td>
<td>-</td>
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</tbody>
</table>

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

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

Expenditure in 2014-15 has been restated to include governance costs which were previously shown as a separate line.

The notes on pages 41 to 53 form part of these financial statements.
The Wallace Collection Annual Report and Accounts 2015-16

Collection Statement of Financial Activities
for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Funds</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Endowment</th>
<th>Total</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Endowment</th>
<th>Total</th>
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<td>2015-16</td>
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<td>4,728</td>
<td>4,735</td>
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<td>2014-15</td>
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</tbody>
</table>

Income and endowment funds from:

- Other trading activities: £657 (2015-16), £1,111 (2014-15)

Expenditure on:


Reconciliation of funds

- Total funds carried forward: £5,813 (2015-16), £5,621 (2014-15)

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

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

The notes on pages 41 to 53 form part of these financial statements.
The Wallace Collection Annual Report and Accounts 2015-16

Balance Sheet
at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<tbody>
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<td></td>
<td>£000</td>
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<tr>
<td>Fixed assets</td>
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<td>Tangible assets</td>
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<td>45,447</td>
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<td>Heritage assets</td>
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<td>Investments</td>
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<td>Current assets</td>
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<td>Stock</td>
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<td>433</td>
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<td>Debtors</td>
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<td>444</td>
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<td>684</td>
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<td>Cash at bank and in hand</td>
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<td>1,686</td>
<td>1,364</td>
<td>1,358</td>
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<tr>
<td></td>
<td>2,416</td>
<td>2,149</td>
<td>2,198</td>
<td>1,864</td>
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<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts falling due within one year</td>
<td>10a</td>
<td>(479)</td>
<td>(605)</td>
<td>(314)</td>
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<tr>
<td>Provisions for liabilities and charges</td>
<td>11</td>
<td>-</td>
<td>(120)</td>
<td>-</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>1,937</td>
<td>1,424</td>
<td>1,884</td>
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<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>51,766</td>
<td>46,953</td>
<td>51,708</td>
</tr>
<tr>
<td>Creditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts falling due after more than one year</td>
<td>10b</td>
<td>(87)</td>
<td>-</td>
<td>(50)</td>
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<tr>
<td>Net assets</td>
<td></td>
<td>51,679</td>
<td>46,953</td>
<td>51,658</td>
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Represented by:

Unrestricted funds

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Designated funds</td>
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<td>3,203</td>
<td>3,307</td>
<td>3,203</td>
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<tr>
<td>Unrestricted revaluation reserve</td>
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<td>1,078</td>
<td>1,010</td>
<td>1,078</td>
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<tr>
<td>General funds</td>
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<td>1,553</td>
<td>1,329</td>
<td>1,532</td>
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<tr>
<td></td>
<td>5,834</td>
<td>5,646</td>
<td>5,813</td>
<td>5,621</td>
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</table>

Restricted funds

<table>
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<tr>
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<th></th>
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<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Restricted income funds</td>
<td>13</td>
<td>35,342</td>
<td>35,921</td>
<td>35,342</td>
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<tr>
<td>Restricted revaluation reserve</td>
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<td>6,136</td>
<td>5,386</td>
<td>6,136</td>
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<tr>
<td></td>
<td>41,478</td>
<td>41,307</td>
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</tbody>
</table>

Total income funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Endowment fund</td>
<td>13</td>
<td>4,367</td>
<td>-</td>
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</table>

Total funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td></td>
<td>51,679</td>
<td>46,953</td>
<td>51,658</td>
<td>46,928</td>
</tr>
</tbody>
</table>

Dr Christoph Vogtherr
Director and Accounting Officer

António Horta-Osório
Chairman

7 July 2016

The notes on pages 41 to 53 form part of these financial statements.
# Consolidated Statement of Cash Flows
for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>14</td>
<td>309</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,211</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends and interest from investments</td>
<td>58</td>
<td>2</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(197)</td>
<td>(806)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(4,182)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(4,321)</td>
<td>(804)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipt of endowment</td>
<td>4,335</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>4,335</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents in the year</strong></td>
<td>322</td>
<td>407</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>1,364</td>
<td>957</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>1,686</td>
<td>1,364</td>
</tr>
</tbody>
</table>

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

a) Basis of accounting

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

The format of the Statement of Financial Activities and various notes has changed from that of the previous year as a result of the requirements of the new Statement of Recommended Practice.

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

b) Going concern

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

c) Income

Income is recognised when receipt is probable.

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

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

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

Income relating to future periods is counted as deferred and recognised in the year to which it relates. Where donations relate to future exhibitions the donations are deferred.

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

d) Expenditure

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

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

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

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

Support costs are apportioned between activities on the bases that are most appropriate to each category of support cost. These bases include the expenditure for each activity, the number of staff involved in each activity, and analyses of use by each activity.
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 - over the expected remaining life with the associated plant over 20 years
- Office equipment - over four years (except Wallace Live which is depreciated over the expected remaining life of seven years)
- Fixtures and fittings - over four years (electrical equipment) ten years (other fixtures and fittings) and 25 years (refurbishment projects).

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

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

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

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

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

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

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

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

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

k) Pension costs
Past and present employees are covered by the provisions of the Civil Service Pension Scheme. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants’ benefits. The Wallace Collection is unable to identify its share of the underlying liabilities.

l) Financial instruments

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

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

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

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

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

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

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

o) Public benefit entity
The Wallace Collection is a public benefit entity and meets the public benefit requirement in the Charities Act 2011.
The Wallace Collection Annual Report and Accounts 2015-16

2. Donations and legacies, and Grant in Aid

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total 2015-16</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td></td>
<td>699</td>
<td>303</td>
<td>4,335</td>
<td>674</td>
<td>269</td>
<td>- 943</td>
</tr>
<tr>
<td>Other capital income</td>
<td>-</td>
<td>246</td>
<td>-</td>
<td>-</td>
<td>885</td>
<td>- 885</td>
</tr>
<tr>
<td></td>
<td>699</td>
<td>549</td>
<td>4,335</td>
<td>674</td>
<td>1,154</td>
<td>- 1,828</td>
</tr>
</tbody>
</table>

Grant in Aid of £2,791,000 (2014-15 £2,962,000) was received from the Department for Culture, Media and Sport of which £327,000 (2014-15 £297,000) was for capital purposes.

3. Income from charitable activities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Study days and art activities</td>
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<td>21</td>
<td></td>
<td></td>
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<tr>
<td>Tours and filming</td>
<td>28</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous other income</td>
<td>12</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>81</td>
<td>55</td>
<td></td>
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</table>

4. Income from investments

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total 2015-16</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
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<td>7</td>
<td>10</td>
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<td>2</td>
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<tr>
<td>UK investment funds</td>
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<td>30</td>
<td>45</td>
<td>-</td>
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<td>UK equities</td>
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<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Overseas equities</td>
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<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
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<td></td>
<td>20</td>
<td>38</td>
<td>58</td>
<td>2</td>
<td>-</td>
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</table>

5. Expenditure

<table>
<thead>
<tr>
<th></th>
<th>Direct costs</th>
<th>Support costs depreciation</th>
<th>Total 2015-16</th>
<th>Support costs depreciation</th>
<th>Total 2014-15</th>
<th>Support costs depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5a) Raising funds</td>
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<td></td>
<td></td>
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<tr>
<td>Fundraising</td>
<td>234</td>
<td>42</td>
<td>- 276</td>
<td>237</td>
<td>43</td>
<td>- 280</td>
</tr>
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<td>Marketing and design</td>
<td>261</td>
<td>40</td>
<td>- 301</td>
<td>287</td>
<td>57</td>
<td>- 344</td>
</tr>
<tr>
<td>Trading</td>
<td>887</td>
<td>68</td>
<td>3 958</td>
<td>846</td>
<td>50</td>
<td>3 899</td>
</tr>
<tr>
<td>Charitable activities</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservation</td>
<td>230</td>
<td>35</td>
<td>- 265</td>
<td>203</td>
<td>35</td>
<td>- 238</td>
</tr>
<tr>
<td>Collections</td>
<td>1,076</td>
<td>144</td>
<td>- 1,220</td>
<td>1,113</td>
<td>136</td>
<td>- 1,249</td>
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<tr>
<td>Security</td>
<td>1,206</td>
<td>100</td>
<td>- 1,306</td>
<td>1,173</td>
<td>97</td>
<td>- 1,270</td>
</tr>
<tr>
<td>Building and maintenance</td>
<td>848</td>
<td>104</td>
<td>880 1,832</td>
<td>1,020</td>
<td>109</td>
<td>1,030 2,132</td>
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<tr>
<td></td>
<td>4,742</td>
<td>533</td>
<td>883 6,158</td>
<td>4,879</td>
<td>527</td>
<td>1,006 6,412</td>
</tr>
</tbody>
</table>

Support costs in 2014-15 have been restated to include governance costs which were previously shown separately.
Support costs in 2014-15 have been restated to include governance costs which were previously shown separately.

6. Staff costs

6a)  

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>2,559</td>
<td>2,512</td>
</tr>
<tr>
<td>Social security costs</td>
<td>179</td>
<td>184</td>
</tr>
<tr>
<td>Pension costs</td>
<td>411</td>
<td>378</td>
</tr>
<tr>
<td></td>
<td>3,149</td>
<td>3,074</td>
</tr>
<tr>
<td>Temporary staff</td>
<td>67</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>3,216</td>
<td>3,106</td>
</tr>
</tbody>
</table>

No staff costs were capitalised (2014-15: £52,259). In 2014-15, these were staff costs relating specifically to the Great Gallery refurbishment capital project.

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:

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>£60,001 – £70,000</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>£90,001 – £100,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
6b) Pension costs

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

For 2015-16, employers’ contributions of £360,276 were payable to the PCSPS (2014-15: £336,606) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £50,704 (2014-15: £48,803) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions equivalent to 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,500 (2014-15: £3,886). No contributions were prepaid at that date.

6c) Average number of employees

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Director's Office</td>
<td>2.2</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Conservation</td>
<td>5.4</td>
<td>5.3</td>
<td>4.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Collections</td>
<td>18.7</td>
<td>16.7</td>
<td>18.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Security and Gallery</td>
<td>52.5</td>
<td>43.3</td>
<td>51.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Building and Maintenance</td>
<td>2.4</td>
<td>2.4</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Fundraising</td>
<td>3.0</td>
<td>3.0</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Marketing and Design</td>
<td>4.0</td>
<td>3.6</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Trading</td>
<td>12.0</td>
<td>10.5</td>
<td>15.8</td>
<td>13.0</td>
</tr>
<tr>
<td>Finance, HR and IT</td>
<td>6.0</td>
<td>5.4</td>
<td>5.9</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106.2</strong></td>
<td><strong>92.2</strong></td>
<td><strong>106.4</strong></td>
<td><strong>91.1</strong></td>
</tr>
</tbody>
</table>

6d) Trustees


6e) Compensation for loss of office

<table>
<thead>
<tr>
<th>Exit package and cost band</th>
<th>Number of compulsory redundancies</th>
<th>Number of other departures agreed</th>
<th>Total number of exit packages by cost band</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £10,000</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>£10,000 to £25,000</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>£25,001 to £50,000</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>£50,001 to £100,000</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total number of exit packages</strong></td>
<td><strong>3</strong></td>
<td><strong>1</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td><strong>Total cost of exit packages in £000</strong></td>
<td><strong>92</strong></td>
<td><strong>32</strong></td>
<td><strong>124</strong></td>
</tr>
</tbody>
</table>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. £120,000 of these exit costs were provided for in 2014-15.

No redundancy and other departure costs were paid in 2014-15.

7. Net income/(expenditure)

Net income/(expenditure) is stated after charging:

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External audit fees: NAO</td>
<td>25</td>
<td>17</td>
</tr>
<tr>
<td>External audit fees: trading subsidiary auditors</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Other fees: trading subsidiary auditors</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Internal audit fees</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Operating lease rentals for the hire of plant and machinery</td>
<td>11</td>
<td>10</td>
</tr>
</tbody>
</table>

The NAO audit fee for 2015-16 comprises a fee of £21,000 in respect of 2015-16 and an under-provision of £4,000 in respect of 2014-15. No services were provided by the NAO for non-audit work.
8a) Tangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Freehold land and buildings</th>
<th>Fixtures and fittings</th>
<th>Office equipment</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost or valuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 April 2015</td>
<td>41,292</td>
<td>6,038</td>
<td>854</td>
<td>17</td>
<td>48,201</td>
</tr>
<tr>
<td>Additions</td>
<td>132</td>
<td>63</td>
<td>-</td>
<td>2</td>
<td>197</td>
</tr>
<tr>
<td>Revaluation</td>
<td>758</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>774</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>42,182</td>
<td>6,117</td>
<td>854</td>
<td>19</td>
<td>49,172</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 April 2015</td>
<td>-</td>
<td>2,156</td>
<td>598</td>
<td>-</td>
<td>2,754</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>594</td>
<td>211</td>
<td>78</td>
<td>-</td>
<td>883</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>594</td>
<td>2,370</td>
<td>676</td>
<td>-</td>
<td>3,640</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>41,588</td>
<td>3,747</td>
<td>178</td>
<td>19</td>
<td>45,532</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>41,292</td>
<td>3,882</td>
<td>256</td>
<td>17</td>
<td>45,447</td>
</tr>
</tbody>
</table>

The net book value at 31 March 2016 represents tangible fixed assets used for:

<table>
<thead>
<tr>
<th></th>
<th>Freehold land and buildings</th>
<th>Fixtures and fittings</th>
<th>Office equipment</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Charitable purposes</td>
<td>41,588</td>
<td>3,742</td>
<td>178</td>
<td>19</td>
<td>45,527</td>
</tr>
<tr>
<td>Trading activities</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>41,588</td>
<td>3,747</td>
<td>178</td>
<td>19</td>
<td>45,532</td>
</tr>
</tbody>
</table>

The Wallace Collection

<table>
<thead>
<tr>
<th></th>
<th>Freehold land and buildings</th>
<th>Fixtures and fittings</th>
<th>Office equipment</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost or valuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 April 2015</td>
<td>41,292</td>
<td>6,021</td>
<td>821</td>
<td>17</td>
<td>48,151</td>
</tr>
<tr>
<td>Additions</td>
<td>132</td>
<td>63</td>
<td>-</td>
<td>2</td>
<td>197</td>
</tr>
<tr>
<td>Revaluation</td>
<td>758</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>774</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>42,182</td>
<td>6,100</td>
<td>821</td>
<td>19</td>
<td>49,122</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 April 2015</td>
<td>-</td>
<td>2,146</td>
<td>566</td>
<td>-</td>
<td>2,712</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>594</td>
<td>209</td>
<td>77</td>
<td>-</td>
<td>880</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>594</td>
<td>2,358</td>
<td>643</td>
<td>-</td>
<td>3,595</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>41,588</td>
<td>3,742</td>
<td>178</td>
<td>19</td>
<td>45,527</td>
</tr>
<tr>
<td>Balance at 31 March 2015</td>
<td>41,292</td>
<td>3,875</td>
<td>255</td>
<td>17</td>
<td>45,439</td>
</tr>
</tbody>
</table>

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

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

Between the full quinquennial revaluations the land and building are revalued on an annual basis using appropriate indices.
The Wallace Collection Annual Report and Accounts 2015-16

8 b) Heritage assets

<table>
<thead>
<tr>
<th></th>
<th>2015-16 £000</th>
<th>2014-15 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening and closing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions (at cost)</td>
<td>82</td>
<td>82</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Group 2016 £000</th>
<th>Group 2015 £000</th>
<th>Collection 2016 £000</th>
<th>Collection 2015 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value at 1 April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>4,182</td>
<td>-</td>
<td>4,182</td>
<td>-</td>
</tr>
<tr>
<td>Net gain/(loss) on revaluation</td>
<td>33</td>
<td>-</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Market value at 31 March</td>
<td>4,215</td>
<td>-</td>
<td>4,215</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group 2016 £000</th>
<th>Group 2015 £000</th>
<th>Collection 2016 £000</th>
<th>Collection 2015 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At market value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK investment funds</td>
<td>1,996</td>
<td>-</td>
<td>1,996</td>
<td>-</td>
</tr>
<tr>
<td>Fixed interest bonds</td>
<td>196</td>
<td>-</td>
<td>196</td>
<td>-</td>
</tr>
<tr>
<td>UK equities</td>
<td>915</td>
<td>-</td>
<td>915</td>
<td>-</td>
</tr>
<tr>
<td>Overseas equities</td>
<td>377</td>
<td>-</td>
<td>377</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure &amp; property</td>
<td>107</td>
<td>-</td>
<td>107</td>
<td>-</td>
</tr>
<tr>
<td>Cash</td>
<td>624</td>
<td>-</td>
<td>624</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,215</td>
<td>-</td>
<td>4,215</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group 2016 £000</th>
<th>Group 2015 £000</th>
<th>Collection 2016 £000</th>
<th>Collection 2015 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>4,182</td>
<td>-</td>
<td>4,182</td>
<td>-</td>
</tr>
</tbody>
</table>

All investments are stated at fair value at 31 March 2016. 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

<table>
<thead>
<tr>
<th></th>
<th>Group 2016 £000</th>
<th>Group 2015 £000</th>
<th>Collection 2016 £000</th>
<th>Collection 2015 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>194</td>
<td>249</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Other debtors</td>
<td>30</td>
<td>15</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>VAT debtors</td>
<td>19</td>
<td>21</td>
<td>70</td>
<td>87</td>
</tr>
<tr>
<td>Amount due from subsidiary</td>
<td>-</td>
<td>-</td>
<td>388</td>
<td>720</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>201</td>
<td>67</td>
<td>199</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>444</td>
<td>352</td>
<td>684</td>
<td>880</td>
</tr>
</tbody>
</table>

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

48
The Wallace Collection Annual Report and Accounts 2015-16

10a) Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>126</td>
<td>135</td>
<td>115</td>
<td>111</td>
</tr>
<tr>
<td>Taxation and Social Security</td>
<td>96</td>
<td>93</td>
<td>96</td>
<td>93</td>
</tr>
<tr>
<td>Accruals</td>
<td>54</td>
<td>101</td>
<td>45</td>
<td>93</td>
</tr>
<tr>
<td>Deferred income</td>
<td>202</td>
<td>268</td>
<td>57</td>
<td>32</td>
</tr>
<tr>
<td>Other creditors</td>
<td>1</td>
<td>8</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td><strong>479</strong></td>
<td><strong>605</strong></td>
<td><strong>314</strong></td>
<td><strong>337</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income</td>
<td>87</td>
<td>-</td>
<td>50</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income at 1 April</td>
<td>268</td>
<td>256</td>
<td>32</td>
<td>79</td>
</tr>
<tr>
<td>Released from previous year</td>
<td>(268)</td>
<td>(256)</td>
<td>(32)</td>
<td>(79)</td>
</tr>
<tr>
<td>Deferred in current year</td>
<td>289</td>
<td>268</td>
<td>107</td>
<td>32</td>
</tr>
<tr>
<td>Deferred income at 31 March</td>
<td>289</td>
<td>268</td>
<td>107</td>
<td>32</td>
</tr>
</tbody>
</table>

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.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision at 1 April</td>
<td>120</td>
<td>-</td>
<td>120</td>
<td>-</td>
</tr>
<tr>
<td>Addition in the year</td>
<td>-</td>
<td>120</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td>Utilised in the year</td>
<td>(120)</td>
<td>-</td>
<td>(120)</td>
<td>-</td>
</tr>
<tr>
<td>Provision at 31 March</td>
<td>-</td>
<td>120</td>
<td>-</td>
<td>120</td>
</tr>
</tbody>
</table>

The provision of £120,000 was made in respect of redundancy costs and was calculated on the basis of statutory and contractual obligations. Payments in respect of the redundancy costs were made during 2015-16.
12. Analysis of consolidated net assets between funds

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds £000</th>
<th>Restricted funds £000</th>
<th>Endowment fund £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>4,279</td>
<td>41,335</td>
<td>4,215</td>
<td>49,829</td>
</tr>
<tr>
<td>Current assets</td>
<td>2,021</td>
<td>243</td>
<td>152</td>
<td>2,416</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(429)</td>
<td>(50)</td>
<td>-</td>
<td>(479)</td>
</tr>
<tr>
<td>Liabilities due after one year</td>
<td>(37)</td>
<td>(50)</td>
<td>-</td>
<td>(87)</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>5,834</strong></td>
<td><strong>41,478</strong></td>
<td><strong>4,367</strong></td>
<td><strong>51,679</strong></td>
</tr>
</tbody>
</table>

13. Consolidated statement of funds

<table>
<thead>
<tr>
<th></th>
<th>Balance at 1 April 2015 £000</th>
<th>Income £000</th>
<th>Expenditure £000</th>
<th>Revaluation £000</th>
<th>Transfers £000</th>
<th>Balance at 31 March 2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital projects (a)</td>
<td>3,295</td>
<td>-</td>
<td>(219)</td>
<td>-</td>
<td>115</td>
<td>3,191</td>
</tr>
<tr>
<td>Heritage assets (b)</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>1,010</td>
<td>-</td>
<td>-</td>
<td>73</td>
<td>(5)</td>
<td>1,078</td>
</tr>
<tr>
<td>General funds</td>
<td>1,329</td>
<td>5,159</td>
<td>(4,825)</td>
<td>-</td>
<td>(110)</td>
<td>1,553</td>
</tr>
<tr>
<td><strong>Total unrestricted funds</strong></td>
<td><strong>5,646</strong></td>
<td><strong>5,159</strong></td>
<td><strong>(5,044)</strong></td>
<td><strong>73</strong></td>
<td><strong>-</strong></td>
<td><strong>5,834</strong></td>
</tr>
<tr>
<td><strong>Restricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital reserve (c)</td>
<td>35,755</td>
<td>-</td>
<td>(661)</td>
<td>-</td>
<td>35</td>
<td>35,129</td>
</tr>
<tr>
<td>Heritage assets (d)</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>5,386</td>
<td>-</td>
<td>-</td>
<td>698</td>
<td>52</td>
<td>6,136</td>
</tr>
<tr>
<td>Conservation projects (e)</td>
<td>12</td>
<td>59</td>
<td>(71)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Education fund (f)</td>
<td>2</td>
<td>83</td>
<td>(82)</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Infrastructure fund (g)</td>
<td>1</td>
<td>109</td>
<td>(26)</td>
<td>-</td>
<td>-</td>
<td>84</td>
</tr>
<tr>
<td>Publication fund (h)</td>
<td>16</td>
<td>44</td>
<td>(57)</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Archive and library fund (i)</td>
<td>66</td>
<td>38</td>
<td>(71)</td>
<td>-</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td>Curatorial projects (j)</td>
<td>17</td>
<td>26</td>
<td>(25)</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>Fundraising fund (k)</td>
<td>-</td>
<td>42</td>
<td>(42)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Collection Services fund (l)</td>
<td>-</td>
<td>49</td>
<td>(49)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gallery refurbishment (m)</td>
<td>(18)</td>
<td>137</td>
<td>(30)</td>
<td>(87)</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total restricted funds</strong></td>
<td><strong>41,307</strong></td>
<td><strong>587</strong></td>
<td><strong>(1,114)</strong></td>
<td><strong>698</strong></td>
<td><strong>-</strong></td>
<td><strong>41,478</strong></td>
</tr>
<tr>
<td><strong>Endowment fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>4,335</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>4,367</td>
</tr>
<tr>
<td><strong>Total funds</strong></td>
<td><strong>46,953</strong></td>
<td><strong>10,081</strong></td>
<td><strong>(6,158)</strong></td>
<td><strong>803</strong></td>
<td><strong>-</strong></td>
<td><strong>51,679</strong></td>
</tr>
</tbody>
</table>

a) The capital projects fund comprises the net book value of the museum's tangible fixed assets purchased using unrestricted funds.
b) The heritage assets fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using unrestricted funds.
c) The capital reserve fund represents the net book value of the museum's tangible fixed assets purchased using restricted funds.
d) The heritage assets restricted fund represents the value of heritage assets held by the Hertford House Historic Collection which have been purchased using restricted funds given for this purpose.
e) The conservation projects fund includes funds specifically for conservation projects from various donors.
f) The education fund assists with the cost of the museum's education department.
g) The infrastructure fund represents those restricted funds specifically raised to for infrastructure projects.
h) The publication fund reflects donations towards the museum's scholarship activities.
i) The archive and library fund holds income from the endowment fund restricted to that work and other donations for archival work.
j) The curatorial fund is for donations towards curatorial purchases and activities.
k) The fundraising fund is for donations to support fundraising activity.
l) The Collection Services fund is for donations for exhibitions and other work by the department.
m) 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.
### 14. Reconciliation of consolidated net (expenditure)/income to net cash inflow from operating activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Net (expenditure)/income for the year (as per the statement of financial activities)</td>
<td>(412)</td>
<td>(191)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation charges</td>
<td>8</td>
<td>883</td>
</tr>
<tr>
<td>Dividends and interest from investments</td>
<td>4</td>
<td>(58)</td>
</tr>
<tr>
<td>(Increase)/decrease in stock</td>
<td></td>
<td>147</td>
</tr>
<tr>
<td>Decrease/increase in debtors</td>
<td>9</td>
<td>(92)</td>
</tr>
<tr>
<td>(Decrease)/increase in creditors</td>
<td></td>
<td>(39)</td>
</tr>
<tr>
<td>(Decrease)/increase in provisions</td>
<td>11</td>
<td>(120)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td></td>
<td>309</td>
</tr>
</tbody>
</table>

### Analysis of cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>1,686</td>
<td>1,264</td>
</tr>
</tbody>
</table>

### 15. Hertford House Marketing Limited

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

**Profit and loss account**

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Turnover</td>
<td>1,568</td>
<td>1,374</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(288)</td>
<td>(220)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,280</td>
<td>1,154</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(729)</td>
<td>(718)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>551</td>
<td>436</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Profit on ordinary activities before gift aid payment</td>
<td>553</td>
<td>437</td>
</tr>
<tr>
<td>Payment under gift aid to the Wallace Collection</td>
<td>(555)</td>
<td>(439)</td>
</tr>
<tr>
<td>Net (loss)/profit before and after tax</td>
<td>(2)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

**Reconciliation to the Statement of Financial Activities**

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>288</td>
<td>220</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>729</td>
<td>718</td>
</tr>
<tr>
<td></td>
<td>1,017</td>
<td>938</td>
</tr>
<tr>
<td>Less: audit fee included in support costs</td>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td>Less: intercompany sales</td>
<td>(59)</td>
<td>(38)</td>
</tr>
<tr>
<td>Per Consolidated SoFA</td>
<td>958</td>
<td>892</td>
</tr>
</tbody>
</table>

**Balance sheet**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Current assets</td>
<td>658</td>
<td>1,071</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(605)</td>
<td>(1,056)</td>
</tr>
<tr>
<td>Liabilities due after one year</td>
<td>(37)</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Share capital</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reserves</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Net assets</td>
<td>21</td>
<td>23</td>
</tr>
</tbody>
</table>
The Wallace Collection Annual Report and Accounts 2015-16

16. Financial commitments
At 31 March 2015, the museum had total future minimum lease payments under non-cancellable operating leases for equipment as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015 - restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td></td>
</tr>
<tr>
<td>Not later than one year</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Later than one year and not later than five</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>24</td>
</tr>
</tbody>
</table>

The 2015 figure is restated following the change in reporting requirements as a result of FRS102.

Hertford House Marketing Limited has no such financial commitments.

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

Many of the museum's financial instruments relate to contracts to buy non-financial items in line with the museum’s expected purchase and usage requirements and the museum is therefore exposed to little credit, liquidity or market risk. However, the museum now holds fixed asset investments following the establishment of its permanent endowment fund 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 49% (2014-15: 47%) of the museum's non-endowment income was provided as Grant in Aid from the Department for Culture, Media and Sport. The remaining proportion is self-generated income. The risk is managed by the reserves policy for general funds which seeks to build these funds to three months expenditure. As the cash requirements of the museum are met largely through Grant in Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size.

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

Interest Rate Risk
The museum draws down its annual Grant in Aid allocation according to its monthly cash flow requirements. The museum's current financial assets represents cash held for these short term requirements and therefore earns interest at a floating rate. None of the museum's financial assets carry fixed rates of interest. As only a relatively small proportion of income £56,958 (2014-15: £2,097) is generated from interest earned, the museum is not exposed to significant interest rate risk.

18. Capital commitments
At 31 March 2016, capital expenditure commitments were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td></td>
</tr>
<tr>
<td>Authorised by the Trustees and contracted for</td>
<td>-</td>
<td>95</td>
</tr>
</tbody>
</table>

The commitment in 2015 related to the refurbishment of the Great Gallery, and was undertaken by the Trustees, following receipt of a pledge letter from the Wallace Collection Foundation (formerly the Hertford House Trust) in respect of the funds required to complete the project. The Wallace Collection Foundation in turn has been generously supported by the Monument Trust.
The Wallace Collection Annual Report and Accounts 2015-16

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

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Related party</th>
<th>Grants received £000</th>
<th>Purchases £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCMS funded bodies:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imperial War Museum</td>
<td></td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Victoria &amp; Albert Museum</td>
<td></td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>The Director is a Trustee*:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wallace Collection Foundation (formerly Hertford House Trust)</td>
<td></td>
<td>342</td>
<td></td>
</tr>
</tbody>
</table>

A Trustee is a Director:

Lloyds Bank Group
The Lloyds Bank Group has acted as the Wallace Collection's bankers for many years on normal business terms.
The Lloyds Bank Group became a corporate member (via the Wallace Collection's trading subsidiary) during the year and made a donation of £952,000 to the endowment fund.

A Trustee is a Trustee:

Wallace Collection Foundation (formerly Hertford House Trust) *
342

* With reduced voting rights

No Trustees or staff member obtained any personal benefit from these transactions and no Trustee or staff member had any other material transactions with the museum in the year. No trustees held any significant interests which would conflict with their management responsibilities of the museum. Several Trustees are also supporters of the museum, and they are shown in Annex B to the Annual Report. The total donations received from Trustees in the year was £44,431 including gift aid (2014-15: £96,442).

20. Contingent liabilities
There were no contingent liabilities as at 31 March 2016 (2015: Nil).

21. Post balance sheet events
The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. There were no other significant events after the year end up to the date the accounts were authorised for issue.

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