

**The Contemporary Art Society
(A charitable company limited by
guarantee)**

Trustees' Report and Financial Statements
For the year ended 31 March 2003

Charity Number: 208178
Company Number: 255486



THE CONTEMPORARY ART SOCIETY

TRUSTEES

Oliver Prenn	-	Chairman
Lance Blackstone	-	Company Secretary
Pesh Framjee	-	Honorary Treasurer
Mark Stephens	-	Honorary Solicitor

Roberta Thomson
Doris Lockhart Saatchi
Edwin Wulfsohn
Caroline Summerfield (appointed 3 February 2003)
Jolyon Barker (resigned 11 July 2002)
Philip Hewat-Jaboor (resigned 4 November 2002)
Sean Rainbird (resigned 2 December 2002)

DIRECTOR

Gill Hedley

SOLICITORS

Finers Stephens Innocent
179 Great Portland Street
London W1W 5LS

BANKERS

Coutts & Co
440 Strand
London WC2R 0QS

AUDITORS

Mazars
24 Bevis Marks
London EC3A 7NR

REGISTERED OFFICE

Bloomsbury House
74-77 Great Russell Street
London WC1B 3DA

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TRUSTEES' REPORT

The trustees, who are identified on the preceding page, present their report and the financial statements for the year ended 31 March 2003

RESULTS

The result of the Society for the year ended 31 March 2003 are set out in the financial statements on pages 4 to 12. The Society has used its wholly owned subsidiary to carry out certain of its charitable activities. The results and activities of the subsidiary have been detailed in note 12.

CONSTITUTION

CAS is a charitable company limited by guarantee and is governed by the Memorandum & Articles of Association.

OBJECTS

CAS promotes the collecting of contemporary art through purchasing contemporary art and making gifts to public museums and providing advice and guidance to companies and individuals.

REVIEW

During 2002/3, Contemporary Art Society has continued its aim to promote the collecting of contemporary art through its gifts to museums and the advice offered to companies and individuals.

ARTfutures, the annual art market, was held at the City of London School from 9 –13 April 2002 enabling CAS to sell works on behalf of over 100 artists to a new audience of collectors. We were invited to stage *ARTfutures* 2003 in the same venue in April 2003.

The CAS Special Collection Scheme, funded by ACE Lottery, continued to gather momentum with 19 separate collections being developed throughout England. This scheme ends its current phase in 2004 and strategies will be developed to extend it.

The Scottish Arts Council invited CAS to apply for Lottery funding to create a National Collecting Scheme for eight collections in Scotland, to run from April 2003 to December 2006.

Consultancy work has been funded by The Scottish Arts Council and The Gulbenkian Foundation. Generous grants have been received from The Henry Moore Foundation, The Esmée Fairbairn Foundation, The Trusthouse Foundation, The Fine Family Foundation and others to extend museum membership or the CAS purchase fund for gifts to museums.

The Arts Council of England also supported our core work through its fixed term revenue funding which from April 2003 will come from Arts Council London.

Private individuals have continued to support our *Catching Comets* fundraising appeal with donations, including many works of art. An anonymous donor has generously presented CAS with eight major sculptures by Alison Wilding to give to public collections.

During 2003/4, Patricia Bickers, Andrew Patrizio and Charmian Adams have agreed to become buyers for CAS and their purchases will be offered to museums through the Distribution at the end of 2004.

The Tom Bendhem Bequest will have a strong impact on CAS activities during 2003/4 as we seek appropriate ways to honour his name and generosity.

RESERVES POLICY

The Trustees regularly review the reserves of the charity. This review encompasses the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that, to allow the charity to be managed efficiently and to provide a buffer for uninterrupted services, reserves needed to be increased and the trustees have been working to achieve this. However, during the year unrestricted funds decreased from £661,514 to £581,352 (see note 9). After

CONTEMPORARY ART SOCIETY GROUP

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accounting for the amounts represented by fixed assets and stocks of art (needed to maintain operating capacity) this leaves a free reserve of about £328,000 (approximately seven months of unrestricted expenditure). As explained in note 11 CAS has benefited from a generous bequest and in view of the nature and amount of the bequest the reserves policy is being reconsidered.

Restricted funds have increased from £295,828 to £387,225. The purpose of these funds is explained in note 9 to the financial statements.

RISK MANAGEMENT

During the year trustees and management worked together to consider the:

- type of risks the charity faces;
- significance of the risks
- level of risks which they regard as acceptable;
- likelihood of the risks concerned materialising;
- ability to reduce the incidence and impact of risks that do materialise;
- costs of operating particular controls relative to the benefit obtained.

A risk register has been prepared and progress is being made to implement controls and procedures to manage and mitigate the risks.

INVESTMENT POLICY

CAS has minimal stock market investments and most of the funds are held in short term deposits to maximise income pending application of funds.

STATEMENT OF TRUSTEES' RESPONSIBILITY

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society at the end of the financial year and its surplus and deficit for the financial year.

In doing so, the trustees are required to:

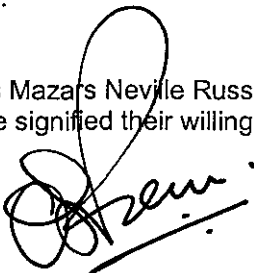
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Our auditors Mazars Neville Russell changed their name to Mazars on 1 September 2002. Mazars have signified their willingness to continue in office.

Chairman



Dated:

25th July 2003

**CONTEMPORARY ART SOCIETY GROUP
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

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THE CONTEMPORARY ART SOCIETY

We have audited the financial statements of Contemporary Art Society for the year ended 31 March 2003 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Trustees and auditors

As described in the Statement of Trustees' Responsibilities the Trustees, who are also the directors of the Contemporary Art Society for the purpose of company law, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the Society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the Society is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and group as at 31 March 2003 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS
CHARTERED ACCOUNTANTS
and Registered Auditor
24 Bevis Marks, London, EC3A 7NR

Dated: 6 Aug 2003

CONTEMPORARY ART SOCIETY GROUP

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating a consolidated income and expenditure account)

For the year ended 31 March 2003

	Notes	Unrestricted funds £	Restricted funds £	Total 31.03.2003 £	Revised 31.03.2002 £
INCOMING RESOURCES					
Voluntary Income					
Subscriptions and donations	2	76,546	34,263	110,809	119,479
Arts Council Award		55,000	-	55,000	45,000
Activities in furtherance of the charity objectives:					
Fees and commissions		251,301	-	251,301	117,674
Arts Council Lottery funding	9	-	129,069	129,069	398,208
Lottery scheme contributions	9	-	138,000	138,000	163,750
Other grants	3	-	118,663	118,663	44,000
Ticket sales for events for members		23,448	-	23,448	12,909
Other income		4,379	-	4,379	12,980
Investment income:					
Interest and dividends		13,044	-	13,044	13,926
Total incoming resources		423,718	419,995	843,713	927,926
RESOURCES EXPENDED					
Cost of generating funds:					
Fundraising costs		22,326	1,970	24,296	15,931
Net incoming resources available for charity		401,392	418,025	819,417	911,995
Costs of activities in furtherance of charitable objectives:					
Advice, training and collection support		404,131	61,866	465,997	266,435
Art purchases		-	264,762	264,762	553,242
Members' events and support activities		36,594	-	36,594	23,389
Management and administration		41,282	-	41,282	23,715
		482,007	326,628	808,635	866,781
Total resources expended	4	504,333	328,598	832,931	882,712
Net incoming resources/(outgoings)resources		(80,615)	91,397	10,782	45,214
Other recognised gains and losses					
Revaluation of investments	6	453	-	453	(687)
Net movement in funds		(80,162)	91,397	11,235	44,527
Fund balances brought forward	9	661,514	295,828	957,342	912,815
Fund balances carried forward		£581,352	£387,225	£968,577	£957,342

The above figures all relate to continuing operations and include all recognised surpluses and deficits.

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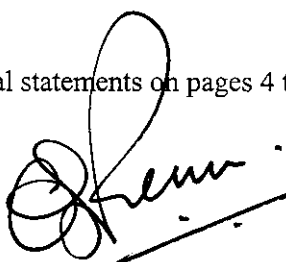
BALANCE SHEET at 31 March 2003

	Notes	Group		Charity	
		31.03.2003	31.03.2002	31.03.2003	31.03.2002
		£	£	£	£
FIXED ASSETS					
Tangible assets	5	6,751	920	6,751	702
Investments	6	12,641	12,188	27,641	27,188
Works of art		45,195	45,195	45,195	45,195
		<u>64,587</u>	<u>58,303</u>	<u>79,587</u>	<u>73,085</u>
CURRENT ASSETS					
Stocks		189,151	195,815	189,151	192,861
Debtors	7	347,899	419,737	347,899	376,034
Short term deposits		318,417	298,196	318,417	298,196
Cash at bank and in hand		165,201	112,852	165,201	87,143
		<u>1,020,668</u>	<u>1,026,600</u>	<u>1,020,668</u>	<u>954,234</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	8	<u>116,678</u>	<u>127,561</u>	<u>131,678</u>	<u>69,977</u>
NET CURRENT ASSETS		<u>903,990</u>	<u>899,039</u>	<u>888,990</u>	<u>884,257</u>
NET ASSETS		<u>£968,577</u>	<u>£957,342</u>	<u>£968,577</u>	<u>£957,342</u>
Represented by:					
RESTRICTED INCOME FUNDS		387,225	295,828	387,225	295,828
UNRESTRICTED FUNDS	9	581,352	661,514	581,352	661,514
TOTAL FUNDS		<u>£968,577</u>	<u>£957,342</u>	<u>£968,577</u>	<u>£957,342</u>

The financial statements on pages 4 to 12 were approved by the Trustees on:

10th July 2003

Chairman



Dated:

25 July 2003

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. ACCOUNTING POLICIES

(a) **Basis of accounting**

The financial statements have been prepared under the historical cost convention, with the exception of investments, which have been included at market value, and donated items in stock, which are at probate value. The financial statements comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in October 2000 and applicable accounting standards.

Consolidated accounts have been prepared for the Society, which include its subsidiary company Contemporary Art Society Projects Limited. The Society has taken advantage of the exemption under s230 of the Companies Act 1985 not to publish its own individual statement of financial activities. The net surplus of the parent undertaking was £11,235.

(b) **Incoming resources**

All income is accounted for on a receivable basis.

(c) **Expenditure**

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

Charitable expenditure and administration costs comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources.

Art purchases are charged to expenditure in the year the purchase is made although not all purchases in a year are distributed in the year

Fundraising and publicity costs are those incurred in seeking voluntary contributions for the Society, and in publicising the Society. Management and administration costs are those incurred in connection with the management of the Society's assets, organisation administration and compliance with constitutional and statutory requirements.

(d) **Pension**

The charity has arranged a defined contribution pension scheme for all members of staff. Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

(e) **Tangible fixed assets**

Tangible fixed assets are stated at cost. Depreciation is provided on all tangible assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Computer equipment	20% per annum
Other equipment	10% per annum

(f) **Stocks**

Stocks comprise works of art, carried at probate value, that have been bequeathed to the charity. Art that has been purchased for distribution is deemed to have a nil realisable value and is expended in the year of purchase and not included within stock.

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

1. ACCOUNTING POLICIES (continued)

(g) Investments

Investments are stated at market value. It is the Society's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result the Statement of Financial Activities only includes those unrealised gains and losses arising from the revaluation of investment portfolio throughout the year.

(h) Operating Leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

2. SUBSCRIPTIONS AND DONATIONS

	31.03.2003	31.03.2002
	£	£
Individuals	62,109	67,912
Public Art Galleries	48,700	51,067
Corporate bodies	-	500
	<u>£110,809</u>	<u>£119,479</u>

3. GRANTS

	31.03.2003	31.03.2002
	£	£
Henry Moore Foundation	40,000	30,000
Crafts Council	15,000	10,000
Co. of Painter-Stainers	-	4,000
Scottish Arts Council	36,163	-
Esmee Fairbairn Foundation	27,500	-
	<u>£118,663</u>	<u>£44,000</u>

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

4. TOTAL RESOURCES EXPENDED

	Staff costs £	Other costs £	Total 31.03.2003 £	Total 31.03.2002 £
Cost of generating funds:				
Fundraising costs	4,337	19,959	24,296	15,931
Costs of activities in furtherance of charitable objectives:				
Advice, training and collection support	130,637	335,360	465,997	266,435
Art purchases	-	264,762	264,762	553,242
Members' events and support activities	15,662	36,594	36,594	23,389
	146,299	636,716	767,353	843,066
Management and administration	35,783	5,499	41,282	23,715
Total resources expended	£186,419	£662,174	£832,931	£882,712

(a) Staff costs

	Total 31.03.2003 £	Total 31.03.2002 £
Wages and salaries	144,363	138,879
Social security costs	13,743	13,199
Pension	3,866	2,122
Temporary staff - Art Market	24,447	3,357
	£186,419	£157,557

The average number of full time equivalent employees was

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None of the employees received remuneration over £50,000.

(b) Trustees

The trustees do not receive any emoluments or reimbursement of expenses

	Total 31.03.2003 £	Total 31.03.2002 £
(c) Auditors' remuneration	£3,800	£5,197

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

5. TANGIBLE FIXED ASSETS

GROUP	Office Equipment £	Computer Equipment £	Total £
COST			
At 1 April 2002	1,793	7,237	9,030
Additions	2,950	6,100	9,050
Write Off	(1,793)	-	(1,793)
At 31 March 2003	<u>2,950</u>	<u>13,337</u>	<u>16,287</u>
ACCUMULATED DEPRECIATION			
At 1 April 2002	1,793	6,317	8,110
Charge for the period	295	2,924	3,219
Write Off	(1,793)	-	(1,793)
At 31 March 2003	<u>295</u>	<u>9,241</u>	<u>9,536</u>
NET BOOK VALUES			
At 31 March 2003	<u>£2,655</u>	<u>£4,096</u>	<u>£6,751</u>
At 31 March 2002	<u>£0</u>	<u>£920</u>	<u>£920</u>
Depreciation rates	10%	20%	
Assets held by the subsidiary company at net book value :			<u>£0</u>

6. FIXED ASSETS INVESTMENTS

	Group	
	31.03.2003	31.03.2002
	£	£
Market value at 1 April 2002	12,188	18,875
Redemption in year	-	(6,000)
Gain/(loss) on revaluation	453	(687)
Market value at 31 March 2003	<u>12,641</u>	<u>12,188</u>
Historical cost at 31 March 2002	<u>-</u>	<u>-</u>
Unrealised investment gains at 31 March 2003	<u>£12,641</u>	<u>£12,188</u>

All the group's investments are listed on the UK Stock Exchange. The company's investments include shares with a nominal value of £15,000 in the wholly owned subsidiary (see note 10).

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	31.03.2003	31.03.2002	31.03.2003	31.03.2002
	£	£	£	£
Value added tax	9,272	9,766	9,272	9,766
Other debtors	41,864	135,341	41,864	51,505
Prepayments and accrued income	296,763	274,630	296,763	257,119
Amount due from group undertaking	-	-	-	57,644
	<u>£347,899</u>	<u>£419,737</u>	<u>£347,899</u>	<u>£376,034</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	31.03.2003	31.03.2002	31.03.2003	31.03.2002
	£	£	£	£
Bank Overdraft	20,189	9,654	20,189	9,654
Creditors	91,949	95,728	91,949	56,884
Amount due to group undertaking	-	-	15,000	-
Social Security and other taxes	4,540	22,179	4,540	3,439
	<u>£116,678</u>	<u>£127,561</u>	<u>£131,678</u>	<u>£69,977</u>

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

9. STATEMENT OF FUNDS

	At 01.04.2002	Income	Expenditure	Investment Revaluation	At 31.03.2003
	£	£	£	£	£
UNRESTRICTED FUNDS	661,514	423,718	(504,333)	453	581,352
RESTRICTED FUNDS					
Henry Moore Foundation	878	40,000	(2,128)	-	38,750
Arts Council of England	10,000	15,000	(10,000)	-	15,000
Catching Comets Appeal	29,993	34,263	(5,842)	-	58,414
Co. of Painter-Stainers	4,000	-	-	-	4,000
Esmee Fairbairn Foundation	-	27,500	-	-	27,500
Midland Band	9,777	-	-	-	9,777
Lottery Scheme	241,180	267,069	(310,628)	-	197,621
Scottish Arts Council	-	36,163	-	-	36,163
Total restricted funds	295,828	419,995	(328,598)	-	387,225
Total funds	£957,342	£843,713	(832,931)	£453	£968,577

Funds are treated as being expended when the art is purchased although distributions may not yet have been made. Restricted funds unexpended are represented by short term deposits and cash at bank.

The purpose of the funds are noted below

Henry Moore Foundation - purchase and distribution of sculpture

Arts Council of England - purchase and distribution of craft

Catching Comets Appeal - purchase and distribution of contemporary art

Co. of Painter-Stainers purchase and distribution of paintings

Esmee Fairbairn Foundation - to enable Scottish museums to join or rejoin CAS

Midland Band - contemporary art promotion

Lottery scheme - purchase and distribution of art and craft

Scottish Arts Council - Development work on Scottish collections

10. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2003, CAS had annual commitments under non-cancellable operating leases as set out below:

	31.03.2003	31.03.2002
	£	£
Operating leases which expire in 2-5 years	33,800	-

11. POST BALANCE SHEET EVENTS

After the year end CAS received £233,046 from Tom Bendhem's executors. He has also left CAS his studio, entire art collection and further cash bequest.

CONTEMPORARY ART SOCIETY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003 (continued)

12. SUBSIDIARY COMPANY

The Society has a wholly owned subsidiary, Contemporary Art Society Projects Limited, which is incorporated in the UK. Contemporary Art Society Projects Limited carries out certain of the Society's charitable activities and receives fees for advice pertaining to the purchases of works of contemporary art and commission from the organisation of the sales of works of art. Profits are passed to the Society by means of gift aid. Three members of the committee of the Society sit on the Board of Contemporary Art Society Projects Limited but receive no remuneration for so doing.

A summary of Contemporary Art Society Projects Limited's transactions for the year ended 31 March 2003 is set out below. All income and expenditure has been included in the statement of financial activities. Full accounts have been filed with the Registrar of Companies.

The company suspended trading at 31 March 2003 and remains dormant after the year end.

The company suffered a downturn in income as the result of a decline in corporate activity. It was therefore decided to transfer the remaining activity of the company, at the end of the financial year, to the parent company, Contemporary Art Society. The operating loss of £69,255 was funded by a grant from the Society.

Fees, commission and interest receivable are included within the relevant caption of the Consolidated Statement of Financial Activities, the expenditure have been included within resources expended according to the nature of the activities carried out.

	31.03.2003	31.03.2002
	£	£
Fees and commissions	202,148	83,958
Grant from CAS	69,255	-
Interest receivable	140	396
Total income	271,543	84,354
Expenditure	271,543	78,777
	-	5,577
Gift Aid payable to parent company	-	(5,577)
Profit on ordinary activities before and after taxation	-	-
Deficit brought forward	-	-
Accumulated profit/(loss)	-	-
Net assets (share capital)	£15,000	£15,000