

The Contemporary Art Society

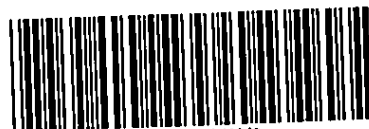
(A charitable company limited by guarantee)

**Trustees' Report and Financial Statements
for the year ended 31 March 2007**

Company number 255486

Charity number 208178

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CONTEMPORARY ART SOCIETY

Trustees' Report and Financial Statements

For the year ended 31 March 2007

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CONTEMPORARY ART SOCIETY

Trustees' Report and Financial Statements

For the year ended 31 March 2007

The Trustees are pleased to present their annual report for the year ended 31 March 2007

1. REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|--------------------------|---|
| Charity Number | 208178 |
| Company Number | 255486 |
| Registered Office | 11-15 Emerald Street London WC1N 3QL |

Directors and Trustees

The directors of the charitable company are its Trustees for the purposes of charity law and throughout this report are collectively referred to as the Trustees.

| | |
|---|--------------------|
| Alison Myners | Chair |
| Lance Blackstone | Honorary Secretary |
| Pesh Framjee | Honorary Treasurer |
| Mark Stephens | Honorary Solicitor |
| Caroline Collier (from June 2007) | |
| Angie Drake (from June 2007) | |
| Dons Lockhart Saatchi (until June 2007) | |
| Bettie Morton (from June 2007) | |
| Anthony Spira (from June 2007) | |
| Michael Stanley (from June 2007) | |
| Caroline Summerfield | |
| Roberta Thomson (until June 2007) | |
| Vicente Todolí (until June 2007) | |
| Edwin Wulfsohn | |

| | |
|-----------------|---|
| Director | Gill Hedley (until October 2006) Marc Jordan (interim from October 2006) Paul Hobson (from August 2007) |
|-----------------|---|

| | |
|-------------------|---|
| Solicitors | Finers Stephens Innocent 179 Great Portland Street London W1W 5LS |
|-------------------|---|

| | |
|----------------|---|
| Bankers | Lloyds TSB Bank plc Victoria House Southampton Row London WC1B 5HR |
|----------------|---|

| | |
|-----------------|---|
| Auditors | Mazars LLP 24 Bevis Marks, London EC3A 7NR |
|-----------------|---|

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Contemporary Art Society is a charitable company limited by guarantee, registered on 7th April 1931, and is governed by the Memorandum & Articles of Association. It was registered as a charity with the Charity Commission on 22 September 1962.

The Trustees, who are identified on the preceding page, present their report and the financial statements for the year ended 31 March 2007 which have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005), and applicable UK accounting standards.

Composition of the Board, organisation and Trustee induction and training

The Board of Trustees, which can have up to 15 members, directs the charity through quarterly meetings. In 2005-06 a new Chair was identified to succeed Oliver Prenn, who was in his third three-year term and would have stepped down in 2007, in accordance with the Society's constitution. Alison Myners took up the post at the beginning of the 2006-07 financial year. She has worked with several other charities and in broadcasting. She has a strong interest in contemporary art and is a Trustee of the Royal Academy of Arts Trust.

The Finance and Audit Committee (previously the Management Working Group) meets quarterly in advance of Trustee meetings to review in detail the charity's financial affairs. It is chaired by the Honorary Treasurer. In the year under review, the Finance and Audit Committee took on the responsibilities of the Remuneration sub-committee, which meets once or twice annually with the Director to review staff salaries and other benefits. From time to time other sub-committees may be formed to support specific needs.

The Chair and Trustees have been actively involved through the year in supporting and advising the interim Director and senior staff during the process of strategic planning and organisational development.

During the second half of the year an informal audit of board skills and networks was carried out to ensure that the support, advice and networks available to the executive team were appropriate to the current ambitions of the Contemporary Art Society. It was decided to use vacant places on the board to augment its range of experience in a number of areas, to diversify its demographic profile and to increase its capacity to help with fundraising. Several new appointments have been made, though they fell outside the year under review.

All candidates for trusteeship have discussions during the selection process on the role they will be expected to take. These discussions involve the Director and the Chair and can include other existing Trustees, dependent on the position to be filled.

On appointment, a new Trustee is sent a pack of information about CAS which includes

- Articles and Memorandum of Association
- Trustee Code of Conduct
- Historical information about the Contemporary Art Society

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

- Recent quarterly and annual reports and accounts
- Trustee meeting minutes
- Recent publications and catalogues
- Any other matter about Contemporary Art Society activities that is relevant at the time (for example, forthcoming exhibitions, events and major grants-funded programmes)

Recent articles or publications about the role of Trustees from organisations such as the NCVO and the Charity Commission are available to Trustees to provide guidance and assurance. The Chair and Director are always available to assist Trustees with any queries they may have.

Risk Management

The risk register has been in existence for four years. It is reviewed regularly by the Trustees and updated to reflect the development of management processes to address newly identified risks and the implementation of controls and procedures to manage and mitigate previously identified risks. Securing funds in a changing and competitive environment is the greatest risk facing the organisation. Broadening our institutional and in particular our private funding bases and increasing unrestricted funding are priorities in order to spread the risk. Increasing the organisation's capacity to generate significant earned income through its art consultancy activities and other ventures is also a priority for board and management.

Management

The Contemporary Art Society is managed by the Director, to whom the Senior Management Team reports. Following the departure of Gill Hedley as Director in October 2006 an extensive search led to the appointment of Paul Hobson as Director, with effect from August 2007. He comes to the Contemporary Art Society with senior leadership experience in contemporary arts and fundraising, having previously held appointments with the Serpentine Gallery, the Royal Academy of Arts and the Moose Foundation.

The Senior Management Team currently consists of the Head of Finance and Strategic Planning, the Head of Membership and Collector Development, the Head of Consultancy and the Head of National Programmes, each with a small staff. ARTfutures is curated and administered by a freelance team under the supervision of the Head of Finance and Strategic Planning. All staff have been given updated job descriptions and will be given an updated contract of employment in 2007.

The Contemporary Art Society operates an annual review system designed to support staff in making the fullest contribution to the organisation and to provide them with timely feedback on performance and professional development.

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

3. OVERVIEW OF THE YEAR

2006/2007 has been a year of significant change at the Contemporary Art Society. We are reviewing and modernising our programme of work with museums and galleries, our events, tours and other services for members, the delivery of our annual curated selling show, ARTfutures, and our art advisory work for individuals and companies. We have been developing and implementing the recommendations of the Strategic Review, commissioned in December 2005.

The Strategic Review was initiated by the Director, supported by the Board of Trustees, when it became clear that the public funding that had enabled the delivery of the Special Collection Scheme, our major programme of work with museums and galleries over seven years, would not be renewed.

The Review examined rigorously the purpose of the Contemporary Art Society and our aims and objectives, as well as the business strategies that we should adopt in order to realise our objectives in the 'post-lottery' age. The Review examined our management and governance, to ensure that these would provide a suitable framework for the delivery of our ambitions in the future. The Review made recommendations about ways in which the charity should change and develop to better fit itself for a continuing and growing role of influence nationally in the contemporary art arena.

In 2006-07 the staff and Trustees have together developed strategies for the future of our most important areas of activity. This includes our plans for the way we work with public museums to support them in developing collections, the nature of our membership offer to individuals with an interest in commissioning and collecting contemporary art, and our consultancy service offering advice to individuals and organisations on collecting and commissioning. We have worked to ensure that these areas are individually coherent and sustainable, but also converge, and are mutually supportive and reinforcing.

As a result of the Strategic Review, the Board of Trustees made a commitment to a programme of investment and modernisation, funded from the Contemporary Art Society's accumulated reserves. We have moved to new modern open plan offices, which have enabled our staff to work together as a team. We have installed up-to-date telephone and computer equipment, and overhauled and modernised our working processes.

In October 2006 Gill Hedley stepped down as Director of the Contemporary Art Society after thirteen years. Gill's great achievements, in particular the Special Collection Scheme and the sister National Collection Scheme for Scotland, were celebrated at a party at Gimpel Fils in February 2007. Marc Jordan, co-author of Arts Council England's Review of the Contemporary Visual Arts and consultant for our own Strategic Review, stepped in as Interim Director to implement the agreed programme of strategic planning and organisational development. Shortly after the end of the financial year 2006/07 Paul Hobson was appointed as the new Director of the Contemporary Art Society after an extensive search. He took up his post in August 2007.

Opportunities arose in the course of the period from October 2006 to make new appointments to other crucial roles within the organisation. We have a new senior management team consisting of Sophia Bardsley, as Head of Finance and Strategic Planning, Stephanie Post, as Head of Membership and Collector Development, and

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

Deborah Smith, as Acting Head of National Programmes Shortly after the end of the period under review we also appointed a new Head of Consultancy, Fabienne Nicholas In making these new appointments we have aimed to secure the level of skills and experience that we need in order if the Contemporary Art Society is to operate as a successful not-for-profit organisation and realise its new and ambitious aims and objectives Throughout the period of organisational change we have been ably supported by John Speed of JS2, as our outsourced Finance Director, and by Jeni Walwin's skills as leader of the selection team for ARTfutures as well as a senior advisor on curatorial issues

Marc Jordan deserves thanks for his work during this period as Interim Director The energy and focus which he applied to re-invigorating all areas of the Contemporary Art Society laid a clear platform from which our new Director, Paul Hobson, can build and go forward in a new, exciting future

4. MISSION, VALUES, OBJECTIVES, ACTIVITIES AND ORGANISATION

Mission, values, objectives

The strategic planning and organisational development that we have undertaken during the past twelve months have been done with two objectives in mind Firstly, we believe that the Contemporary Art Society should act as a leading independent, not-for-profit force in the world of contemporary art in the UK We have a unique mission to support living artists and to encourage the creation of significant art through commissioning and collecting, whether this be by museums, private collectors or companies We support the ambitions of private collectors and provide them with the opportunities to develop their knowledge and understanding of contemporary art We have an important role to play in contributing to the professional development of public-sector curators, to ensure that they and their institutions can acquire, interpret and conserve the best contemporary art with knowledge and confidence

Secondly, changes in the external funding environment mean that in order to continue to realise our mission we need to develop an organisation that has the capacity to raise significant streams of revenue from a wider range of sources than in the recent past We anticipate that we will continue to be a Regularly Funded Organisation of Arts Council England The Contemporary Art Society is playing a vital role in delivering key aspects of Turning Point, Arts Council England's ten-year strategy for the visual arts Arts Council Lottery is no longer funding projects on the scale of the Special Collection Scheme, and we understand that this year's Comprehensive Spending Review will be tight for all spending departments and Non-Departmental Public Bodies The need for the Contemporary Art Society's support for commissioning and collecting by public museums is consequently increasing as the public purse strings tighten We are working to strengthen our existing role as a leading conduit for private philanthropy to public institutions Our income will come through gifts and donations from private individuals and trusts and foundations, from an increasing membership and through our commercial services, such as consultancy

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

Activities

a Advice training and collection support

2006/07 was essentially a year of analysis and planning, looking forward to how we build on the successes of the Special Collection Scheme, and the sister National Collecting Scheme for Scotland in a funding environment in which we can no longer be as reliant on public money. These two closely related schemes have won universal praise for their beneficial impact on public collections of contemporary art and for increasing the skills, confidence and networks of the UK's contemporary curators. Other significant achievements were, in September 2006, the celebration of the Special Collection Scheme in a richly illustrated book published by Scala. *New Art on View* was written by Sheila MacGregor with contributions from Sir Nicholas Serota and Stephen Snoddy. The Contemporary Art Society worked in collaboration with the New Art Gallery in Walsall on this book and on *Out of Place*, an accompanying exhibition of work bought through the Special Collection Scheme that ran at the New Art Gallery in Autumn 2006.

During 2006 the exhibition of works from the Tom Bendhem bequest to the Contemporary Art Society of modern and contemporary art concluded its tour of regional museums with shows in York and Farnham. The latter included a special study day for curators from our member museums, paving the way for a distribution of work from the Bendhem bequest to public collections. This process and the parallel distribution of craft works from the very generous gift of her own work by Prof. Ann Sutton MBE began at the end of the year under review and will be completed in August 2007.

We have focussed much energy on our important work with museums. Despite welcome complementary initiatives, most notably the Art Fund's new international contemporary art pilot programme, the need for our support from the UK's public collections of contemporary art is increasing rather than diminishing.

At the core of our strategy – and in response to the expressed wishes of the sector – is a continuing commitment to work with museums to commission and acquire significant examples of contemporary art. We wish to complement this endeavour by helping to build organisational and individual capacity across the sector. The programme of education, professional development and networking we envisage will enhance the ability of public sector institutions and employees to collect, interpret and conserve the best contemporary art, knowledgeably and confidently.

As the foremost national membership organisation exclusively focused on the art of our time, the Contemporary Art Society is uniquely placed to take a leading role in building long-term relationships between private patrons and regional museums. Our newly launched schemes for individual membership, which are described below, are designed with this end in view, encouraging philanthropy in a number of forms. In the first instance, we envisage that this will take the form of financial support from trusts and foundations, individual members and syndicates of members for particular commissioning schemes. We hope through these to broker longer-term relationships between private supporters and particular regional museums. These may take the form of financial contributions, as well as loans of works of art, gifts and legacies.

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

Finally, we will use our new National Programmes strategy to promote the key recommendations of Arts Council England's recent Review of the Presentation of the Contemporary Visual Arts. Among these are a closer and more productive relationship between collections-based institutions and those organisations concerned with commissioning and exhibitions, a more vivid interchange between contemporary art and the historic canon, re-asserting the continuum of art, and a more strategic approach to collecting with an integrated regional approach that recognises the particular strengths and interests of existing collections, and that avoids unnecessary duplication.

The Contemporary Art Society has been a pioneer in the field of providing advice to companies and private individuals wishing to form significant collections of contemporary art. Our fee-paying consultancy work is another means of delivering our mission to encourage art, artists and collecting, as well as generating revenue to re-invest in our charitable work. Our clients clearly understand and appreciate both aspects of this work and enjoy working with an advisory organisation doing similar work with public museums, and which has an enviable track record of being 'ahead of the curve' in spotting emerging artistic talent. Services offered range from bespoke gallery visits and advice on emerging artists, through to purchase negotiations and installation.

In the past year we have continued to deliver a regular programme of outdoor sculpture commissions for the Economist Group in the setting of their plaza off St James's Street, London. This is undoubtedly the most important regular presentation of contemporary outdoor sculpture anywhere in the UK.

We have also continued our involvement with the Moving World project by Langlands and Bell for the new Terminal Five at Heathrow Airport. This monumental, two part installation will flank either side of the entrance plaza to the Terminal building.

Among our new clients is the London School of Economics, which has invited the Contemporary Art Society to advise on commissioning two large-scale three-dimensional works for its new academic building in London's Kingsway designed by Nicholas Grimshaw Architects. We will be running a competition to select artists and project managing the fabrication and installation of a piece for the exterior of this landmark building and one for the interior atrium, the major public focal point of the site. We have also been selected to advise on the formation of a collection of contemporary work for the Norman Foster designed London offices of a Swiss private bank and asset management firm.

Our annual selling exhibition, ARTfutures, continues to be unique in the increasingly hectic and fashionable world of international art fairs. Central to the concept of ARTfutures is that it is a curated show. We put before the visitor a wide-ranging cross-section of contemporary practice, with an emphasis on emergent talent, but also a good number of more established names. The work is selected over many months, with visits to galleries, artists' studios, print co-operatives and degree shows by Jeni Walwin and her team of Contemporary Art Society curators. This year we pushed up both the lower and the upper price points, the emphasis being on art that is affordable yet of the highest quality, increasing the pool of active patrons and collectors of contemporary art. Once again we are grateful to Bloomberg News for allowing us to use the Bloomberg Space in Finsbury Square for ARTfutures. The result was our best year ever financially. We will continue to build on these new ideas for 2008.

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

b Art purchases

The final purchases were made for the National Collecting Scheme for Scotland and the scheme concluded with two high calibre projects commissioned in 2005-06, but brought to fruition towards the end of 2006-07. The first was a commission from Aberdeen Art Gallery and Museum, which invited the silversmith John Creed to work in collaboration with Lindean Glass to create a major site-specific work to add to its world-renowned contemporary metalwork collection. The second was a commission to Glasgow-based artists Joanne Tatham and Tom O'Sullivan to create an ambitious new work of art for Scotland. In an innovative approach to collecting for the 21st century, six partner museums chose to work in collaboration. In October 2006, *Rhetoric Works* and *Vanity Works* and *Other Works* was installed for six weeks in the 17th-century interiors of Newhailes, a house outside Edinburgh owned by the National Trust for Scotland, before being shown within the collections of each of the partner museums.

The work of the National Collecting Scheme for Scotland was recorded and celebrated with the launch in October 2006 of a new website co-sponsored by the Contemporary Art Society and the Scottish Arts Council. This provides high quality images and descriptive texts for all the works of art and craft commissioned or purchased through the scheme over the past three years. It also includes video interviews with some of the curators involved with selecting works to illustrate the challenges involved in acquiring works of contemporary art for posterity.

c Members' events and support activities

During the year under review we ran a full series of events for our two membership schemes, including visits to private collections and a members trip to Paris.

The Contemporary Art Society has always been a membership organisation. Our individual members are distinguished by their passion for contemporary art and by the fact that many of them are collectors or aspire to be collectors. It became clear to us during the course of the Strategic Review that our membership programme and the offer that the Contemporary Art Society makes to members and potential members needed overhaul. During a decade in which contemporary art has risen steeply in public visibility in the UK, our membership had been in steady decline, and this despite innovations such as *Blood*, our membership group for new collectors. The decline in membership had an impact on our income for our charitable purposes, particularly since subscription levels were set at uneconomically low levels.

Following a survey of the entire Contemporary Art Society membership and a series of five facilitated round-table discussions with small groups of members and potential members in autumn 2006, the Trustees ratified a new membership scheme. This is based on our identification of three stages of contemporary art collecting by private individuals. These three stages are new collectors (*Blood*), established collectors (*Contemporary Collectors*) and advanced collectors (*Contemporary Patrons*). Tailored offers have been designed for each category of membership and the new levels of annual subscription were introduced at the launch of the new scheme in March 2007.

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

We have also advised two new regional groups of contemporary collectors set up to support public museums in their regions and to keep abreast of the art of our times. Contemporary Art North, based in Yorkshire, was launched at a reception at York City Art Gallery in February 2007. A similar group in the South West, based in Bristol, is also preparing a formal public launch. We hope that these two groups will provide successful models for how the mission and ethos of the Contemporary Art Society can be brought to bear on regionally focussed activities. We look forward to continuing to collaborate with them.

Future plans

During the year under review, the Contemporary Art Society embarked upon its most significant period of organisational investment. We have evolved from this process with a rejuvenated Board, new leadership, a new team and new premises. The process of re-imagining our potential has begun. We now look to the future with confidence, endowed with a revitalised mission and aims and objectives that assert our unique relevance in the visual arts ecology. We have developed exciting programmatic ideas, which respond to the needs of our stakeholders and set a new course for supporting artists by collecting, commissioning and investing in their work, in the 21st century. We are working to increase our appeal and our membership, especially amongst younger audiences, and grow our consultancy business. This will enhance our profile and generate much needed income for our charitable objectives. To celebrate our centenary in 2009/10, we will launch a nation-wide programme of commissioning, working in partnership with our museum members and brokering opportunities for our high-level collectors to be directly involved in the commissioning process. We will offer much-needed professional development, support and networking opportunities for our curatorial colleagues in regional museums, and a tailor-made acquisition package designed to develop regional collections in a more seamless way, working more collaboratively with curatorial opinion and expertise in our member organisations, and in direct response to their collections. We will build upon the success of Art Futures, maximising the support it generates for artists, while strengthening its critical and curatorial content through talks and seminars on the prescient issues in contemporary collecting, showcasing new commissions and interventions by artists. We will also capitalise on our reputation for being 'ahead of the curve' in terms of identifying emerging talent, buying at an early stage and building a collection of work in which members can invest in order to generate funds, which will be reinvested back into artists through purchases, new commissions and gifts to regional museums. In short, as we approach our centenary, we will strengthen our position as the nation's leading non-profit agency, pioneering new ways of supporting artists by promoting contemporary art collecting and commissioning by individuals and institutions.

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

FINANCIAL REVIEW

Results

The results of the Society for the year ended 31 March 2007 are set out in the financial statements on pages 14 to 23. The net outgoing resources for the year was £425,222 (2006 £22,324), which comprises a deficit on unrestricted funds of £214,720 and a deficit on restricted funds of £210,802. The restricted fund deficit arising from the completion of Scottish Arts Council funded projects where funds had been received and accounted for in prior periods.

Reserves Policy

The Trustees review the reserves of the charity annually. This review encompasses the nature of the income and expenditure streams, the need to match variable income with ongoing commitments and the nature of the reserves. In prior years this review concluded that the charity should hold in an expendable endowment fund the bequeathed property at 19 Cresswell Place, London, SW10. The property has been let throughout the period.

This leaves in the unrestricted funds £452,407. This includes £212,454 of stock currently being distributed and a further £42,434 represented by fixed assets. This leaves £197,519 of free reserves, representing approximately 3 months running costs. This amount is expected to fall further in the coming year as the elements of the strategic plan are implemented. It is then hoped that free reserves can be built back to approximately 3-6 months operating costs. The balance of the funds, £29,416, is held as restricted funds.

The analysis and movement of restricted funds is explained in note 9 to the financial statements.

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. Through the Tom Bendhem Bequest, CAS took possession of a valuable property in London in July 2004. As reported previously, the property was renovated and has been fully let in the period, generating income of £35,407 (2006 £17,435).

CONTEMPORARY ART SOCIETY

Trustees' Report (Continued)

For the year ended 31 March 2007

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

Each of the Trustees at the date of approval of this report confirms that

- 1) so far as the Trustee is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) the Trustee has taken all the steps that s/he ought to have taken as a Trustee to make herself/himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

Mazars LLP have signified their willingness to continue in office. A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting



Chairman

9 October 2007

Independent Auditors' report

To the members of The Contemporary Art Society

We have audited the financial statements of The Contemporary Art Society for the year ended 31 March 2007 which comprise the Statement of Financial Activities, the Charity and Balance Sheets and related notes. These financial statements have been prepared under 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 Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International standards on Auditing (UK and Ireland).

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 1985. We also report to you if, in our opinion, the Report of the Trustees is 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

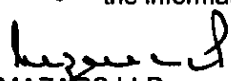
We conducted our audit in accordance with International standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Society's affairs as at 31 March 2007 and of their incoming resources and resources expended, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Council is consistent with the financial statements.


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



CONTEMPORARY ART SOCIETY

Statement of financial activities

Incorporating the income and expenditure account

For the year ended 31 March 2007

| | Notes | Unrestricted funds £ | Restricted funds £ | Expendable £ | 2007 £ | 2006 Restated £ |
|--|-------|----------------------------|--------------------------|-----------------|------------------|-----------------------|
| Incoming resources | | | | | | |
| <i>Voluntary income</i> | | | | | | |
| Subscriptions and donations | 2 | 123,885 | - | - | 123,885 | 113,578 |
| Bequest | | 15,877 | - | - | 15,877 | 23,390 |
| Arts Council Award | | 82,200 | - | - | 82,200 | 80,000 |
| <i>Activities in furtherance of the charity objectives</i> | | | | | | |
| Fees and commissions | | 216,964 | - | - | 216,964 | 200,910 |
| Lottery scheme contributions | 3,9 | - | 14,100 | - | 14,100 | 7,319 |
| Other grants | 3,9 | - | 39,715 | - | 39,715 | 75,523 |
| Ticket sales for events for members | | 39,349 | - | - | 39,349 | 68,354 |
| Other income | | 8,641 | - | - | 8,641 | 227 |
| <i>Investment income</i> | | | | | | |
| Interest and dividends | | 23,026 | - | - | 23,026 | 22,737 |
| Investment Property income | | 35,407 | - | - | 35,407 | 17,435 |
| Total incoming resources | | 545,349 | 53,815 | - | 599,164 | 609,473 |
| Resources expended | | | | | | |
| Cost of generating funds | | | | | | |
| Fundraising costs | | 120,788 | 4,751 | - | 125,539 | 86,102 |
| <i>Charitable activities</i> | | | | | | |
| Advice training & collection support | | 401,696 | 90,017 | - | 491,713 | 396,601 |
| Art purchases | | - | 153,862 | - | 153,862 | 124,378 |
| Members' events & support activities | | 186,790 | 6,367 | - | 193,157 | 152,442 |
| | | 588,486 | 250,246 | - | 838,732 | 673,421 |
| <i>Governance costs</i> | | 55,179 | 5,543 | - | 60,722 | 22,115 |
| Total resources expended | 4 | 764,453 | 260,540 | - | 1,024,993 | 781,638 |
| Net outgoing resources | | (219,104) | (206,725) | - | (425,829) | (172,165) |
| <i>Revaluation of Investments</i> | | | | | | |
| | | 307 | - | - | 307 | 149,841 |
| | | (218,797) | (206,725) | | (425,522) | (22,324) |
| Transfers | 9 | 4,077 | (4,077) | - | - | - |
| Net movement in funds | | (214,720) | (210,802) | - | (425,522) | (22,324) |
| Fund balance brought forward | | 667,127 | 240,218 | 895,000 | 1,802,345 | 1,824,669 |
| Fund balances carried forward | 10 | 452,407 | 29,416 | 895,000 | 1,376,823 | 1,802,345 |

All of the above results derive from continuing activities. There are no gains and losses other than those disclosed above. The accompanying notes form an integral part of these financial statements.

CONTEMPORARY ART SOCIETY

Balance Sheet

As at 31 March 2007

| | Notes | 2007 £ | 2006 £ |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 5 | 30,297 | 8,969 |
| Investments | 6 | 907,137 | 906,830 |
| Works of art | | - | 35,295 |
| | | <u>937,434</u> | <u>951,094</u> |
| Current assets | | | |
| Stock | 12 | 212,454 | 191,250 |
| Debtors | 7 | 135,232 | 54,147 |
| Short term deposits | | 227,494 | 618,986 |
| Cash at bank and in hand | | - | 23,253 |
| | | <u>575,180</u> | <u>887,636</u> |
| Creditors: amounts falling due within one year | 8 | <u>135,791</u> | <u>36,385</u> |
| Net current assets | | <u>439,389</u> | <u>851,251</u> |
| Net assets | | <u>1,376,823</u> | <u>1,802,345</u> |
| Represented by | | | |
| Unrestricted income funds | | 452,407 | 667,127 |
| Restricted income fund | | 29,416 | 240,218 |
| Expendable Endowment fund | | 895,000 | 895,000 |
| | 9 | <u>1,376,823</u> | <u>1,802,345</u> |

The accompanying notes form an integral part of these financial statements

The financial statements on pages 18 to 28 were approved by the Trustees on 9 October 2007



Chairman

CONTEMPORARY ART SOCIETY

Notes to the accounts

For the year ended 31 March 2007

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 stocks, which are at replacement value. The financial statements have been prepared in accordance with the Statement of Recommended Practice, 'Accounting and Reporting by Charities,' (SORP 2005), issued in March 2005, applicable UK accounting standards and the Companies Act 1985.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

b) Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable certainty. For legacies, entitlement is established once the charity has been notified of an impending distribution. Membership subscriptions are treated as donations and are accounted for when received. Corresponding amounts have been restated to show only the commission receivable by the Society on sales at ARTfutures on the basis that the Society is acting as agent.

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 charity. 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. Governance costs are those incurred in connection with the management of the Society's assets, organisation administration and compliance with constitutional and statutory requirements.

d) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objective of the charity. Where funds are received under contracts to provide services they are treated as unrestricted.

Expendable endowment funds comprise funds held on trust to be retained for the benefit of the charity as a capital fund. The Trustees have power of discretion to convert endowed capital into income.

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

1 Accounting policies (continued)

d) *Fund accounting (continued)*

Restricted funds are funds which are to be used in accordance with restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements. Where funds are expended in advance and in genuine anticipation of receiving restricted funding a negative restricted fund is created.

e) *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.

f) *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 |

Small capital additions which do not exceed £500 are expensed in full in the year of acquisition.

g) *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 expensed in the year of purchase and not included within stock.

h) *Investments*

Investments are stated at market value. It is the Society's policy to keep valuations of stocks and shares up to date such that when they 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 the stocks and shares investment portfolio throughout the year. In accordance with SSAP 19, Accounting for Investment Properties it is the Society's policy to carry out a formal valuation at least once in every 5 years. The investment property was last valued in September 2005.

i) *Operating leases*

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

j) *Consolidation*

During the year the Charity's trading subsidiary was struck off and accordingly no consolidated accounts are required.

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

2 Subscriptions and Donations

| | 2007 £ | 2006 £ |
|----------------------|----------------|----------------|
| Individuals | 63,109 | 50,578 |
| Public Art Galleries | 60,776 | 63,000 |
| | <u>123,885</u> | <u>113,578</u> |

3 Grants

| | 2007 £ | 2006 £ |
|---|---------------|---------------|
| Scottish Arts Council - NCSS Lottery | 17,500 | 7,319 |
| Scottish Arts Council - Craft | - | 13,500 |
| Scottish Arts Council - Purchases | - | 18,000 |
| Arts Council of England - BLOOD Development | - | 483 |
| Arts Council of England – Yorkshire | 4,255 | - |
| Arts Council of England - Evaluation | 600 | 5,400 |
| Arts Council of England - Organisational Review | 1,460 | 13,140 |
| Museum and Galleries | - | 10,000 |
| Esmée Fairbairn Foundation | - | 5,000 |
| Gulbenkian Foundation | 30,000 | 10,000 |
| | <u>53,815</u> | <u>82,842</u> |

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

4 Total resources expended

| | Allocated support costs £ | Direct costs £ | Total 31 3 2007 £ | Total 31 3 2006 £ |
|--------------------------------------|---------------------------------|----------------------|-------------------------|-------------------------|
| Cost of generating funds | | | | |
| Fundraising costs | 45,625 | 79,914 | 125,539 | 86,102 |
| Chantable activities | | | | |
| Advice training & collection support | 89,330 | 402,383 | 491,713 | 396,601 |
| Art purchases | - | 153,862 | 153,862 | 124,378 |
| Members' events & support activities | 61,431 | 131,726 | 193,157 | 152,442 |
| | 150,761 | 687,971 | 838,732 | 673,421 |
| Governance costs | 21,132 | 39,590 | 60,722 | 22,115 |
| Total | 217,518 | 807,475 | 1,024,993 | 781,638 |

Cost allocation includes an element of judgment and the charity has had to consider the cost benefit of detailed calculations and record keeping

Support costs include staff salaries, social security and pensions, rent and rates, insurance, IT, postage, couriers and stationery, telephone and fax, cleaners and maintenance, book-keeping and accountancy, bank charges and depreciation

Governance costs during the year include one off costs in relation to a governance review of £28,000

a) Staff costs

| | 2007 £ | 2006 £ |
|--|-----------|-----------|
| Wages and salaries | 179,249 | 190,053 |
| Social security costs | 18,193 | 18,393 |
| Pension | 5,203 | 4,902 |
| Temporary staff | 15,729 | 13,473 |
| | 218,374 | 226,821 |
| Sub contractor costs | 195,864 | 11,668 |
| | 414,328 | 238,489 |
| The average number of full time equivalent employees was | 6 | 7 |
| Employees received remuneration between £60,000 to £69,999 | 1 | - |

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

4 Total resources expended (continued)

b) Trustees

The Trustees do not receive any emoluments and did not claim any reimbursement of expenses

c) Auditors remuneration

| | 2007 £ | 2006 £ |
|-----------------------|--------------|--------------|
| Auditors remuneration | <u>5,000</u> | <u>5,000</u> |

5 Tangible fixed assets

| | Office Equipment £ | Leasehold Improvements £ | Computer equipment £ | Total £ |
|---------------------------------|--------------------------|--------------------------------|----------------------------|---------------|
| Cost | | | | |
| 1 April 2006 | 2,950 | - | 24,089 | 27,039 |
| Additions | <u>-</u> | <u>13,130</u> | <u>16,248</u> | <u>29,378</u> |
| 31 March 2007 | <u>2,950</u> | <u>13,130</u> | <u>40,337</u> | <u>56,417</u> |
| Accumulated Depreciation | | | | |
| 1 April 2006 | 1,180 | - | 16,890 | 18,070 |
| Charge for the year | <u>295</u> | <u>1,313</u> | <u>6,442</u> | <u>8,050</u> |
| 31 March 2007 | <u>1,475</u> | <u>1,313</u> | <u>23,332</u> | <u>26,120</u> |
| Net book value | | | | |
| 31 March 2007 | <u>1,475</u> | <u>11,817</u> | <u>17,005</u> | <u>30,297</u> |
| 1 April 2006 | <u>1,770</u> | <u>-</u> | <u>7,199</u> | <u>8,929</u> |
| Depreciation rates | 10% | 10% | 20% | |

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

6 Investments

| | Total £ | Property £ | Listed shares £ |
|---|------------|---------------|--------------------|
| Market value 1 April 2006 | 906,830 | 895,000 | 11,830 |
| Addition – Investment property | - | - | - |
| Gain/(loss) on revaluation | 307 | - | 307 |
| Market value 31 March 2007 | 907,137 | 895,000 | 12,137 |
| Historical cost at 31 March 2006 | - | - | - |
| Unrealised investment gains at 31 March 2006 | 907,137 | 895,000 | 12,137 |

The investment property, 19 Cresswell Place, London, SW10 9RB, was bequeathed to the Society on 15 June 2004

The property was revalued by Lurot Brand Ltd (estate agents specialising in mews properties) to £895,000 in

September 2005. It is the Society's policy to revalue investment properties at least once every five years

7 Debtors: Amounts falling due within one year

| | 2007 £ | 2006 £ |
|--------------------------------|----------------|---------------|
| Trade debtors | 96,638 | - |
| VAT | 3,225 | - |
| Other debtors | 21,690 | 46,929 |
| Prepayments and accrued income | 13,679 | 7,218 |
| | <u>135,232</u> | <u>54,147</u> |

8 Creditors: amounts falling due within one year

| | 2007 £ | 2006 £ |
|---------------------------------|----------------|---------------|
| Creditors | 65,387 | 15,959 |
| Accruals and deferred income | 65,964 | 14,405 |
| Social security and other taxes | 4,440 | 6,021 |
| | <u>135,791</u> | <u>36,385</u> |

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

9 Statement of Funds

| | At 01 04 2006 £ | Income £ | Expenditure £ | Transfer £ | Investment Revaluation £ | At 31 3 2007 £ |
|--|-----------------------|----------------|--------------------|----------------|--------------------------------|----------------------|
| Unrestricted funds | 667,127 | 545,349 | (764,453) | 4,077 | 307 | 452,407 |
| Restricted funds. see note (a) | | | | | | |
| Catching Comets Appeal | 8,565 | - | - | - | - | 8,565 |
| Arts Council England - SCS (Lottery) | - | 600 | (600) | - | - | - |
| Scottish Arts Council | 34,205 | - | (34,205) | - | - | - |
| Scottish Arts Council - NCSS (Lottery) | 28,261 | 13,500 | (41,761) | - | - | - |
| Scottish Arts Council - NCSS Commission | 58,700 | - | (58,700) | - | - | - |
| Scottish Arts Council - Craft Purchases | 43,500 | - | (43,500) | - | - | - |
| Scottish Arts Council - Fine Art Purchases | 25,000 | - | (25,000) | - | - | - |
| Scottish Arts Council - NCSS Marketing | 4,569 | 4,000 | (8,569) | - | - | - |
| Scottish Arts Council - Purchases | 18,000 | - | (18,000) | - | - | - |
| Arts Council England - BLOOD Development | 851 | - | - | - | - | 851 |
| Arts Council England (Museum and Galleries Month Advocacy) | 4,077 | - | - | (4,077) | - | - |
| Arts Council England - Organisational Review | 13,140 | 1,460 | (14,600) | - | - | - |
| Arts Council England - Yorkshire | - | 4,255 | (4,255) | - | - | - |
| Gulbenkian Foundation | 1,350 | 30,000 | (11,350) | - | - | 20,000 |
| | 240,218 | 53,815 | (260,540) | (4,077) | - | 29,416 |
| Expendable Endowment | 895,000 | - | - | - | - | 895,000 |
| Total restricted funds | 1,135,218 | 53,815 | (260,540) | (4,077) | - | 924,416 |
| Total funds | 1,802,345 | 599,164 | (1,024,993) | - | 307 | 1,376,823 |

Funds are treated as being expended when the art is purchased although distributions may not yet have been made

Restricted funds unexpended are mainly represented by short term deposits and cash at bank

The Expendable Endowment fund represents the bequeathed property at 19 Creswell Place, London which is held as an investment property

The transfer of £4,077 represents reinstatement of funds from Restricted Funds to Unrestricted Funds relating to work carried out in a previous period

Note (a)

Catching Comets Appeal - purchase and distribution of contemporary art

Arts Council England - Special Collection Scheme (SCS) Lottery - purchase of art and craft for designated museum collections

Scottish Arts Council - Development work on Scottish collections

Scottish Arts Council - National Collecting Scheme for Scotland (NCSS) Lottery - purchase of art and craft for designated museum collections

Scottish Arts Council - NCSS Commissions - commissioning artists to make art and craft for designated museum collections

Scottish Arts Council - Craft Purchases - purchase and distribution of craft

Scottish Arts Council - Fine Art Craft Purchases - purchase and distribution of fine art

CONTEMPORARY ART SOCIETY

Notes to the accounts (continued)

For the year ended 31 March 2007

9 Statement of Funds (continued)

Scottish Arts Council -NCSS Marketing Lottery - marketing and recording of NCSS purchase and commission projects for designated museum collections

Arts Council England - BLOOD Development - Grant to support development of workshop and website

Esmée Fairbairn Foundation (SCS Evaluation) - Formal evaluation of Special Collection Scheme

Arts Council England (SCS Evaluation) - Formal evaluation of Special Collection Scheme

Arts Council England (Museum and Galleries Month Advocacy) - Celebrate and advocate continuation of SCS in partnership with West Midlands Hub

Arts Council England - Organisational Review - grant towards organisational and strategic review (towards fee for consultant)

Gulbenkian Foundation - Grant to allow group of museum curators to go on research and art purchasing trip to Portugal

10 Analysis of Net Assets between Funds

Fund balances at 31 March 2007 are represented by

| | Total | Unrestricted funds | Expendable Endowment | Restricted funds |
|-------------------------|------------------|--------------------|----------------------|------------------|
| | £ | £ | £ | £ |
| Tangible Fixed Assets | 30,297 | 30,297 | - | - |
| Investments | 907,137 | 12,137 | 895,000 | - |
| Current assets | 575,180 | 545,764 | - | 29,416 |
| Current liabilities | (135,791) | (135,791) | - | - |
| Total net assets | 1,376,823 | 452,407 | 895,000 | 29,416 |

11 Commitments under Operating Lease

As at 31 March 2007, CAS had annual commitments under non-cancellable operating leases as set out below

| | 2007 | 2006 |
|--|--------|-------|
| | £ | £ |
| Land & Buildings | | |
| Operating leases which expire in 2-5 years | 42,200 | 7,874 |

12 Stock

Stock comprises three collections of works of art which were bequeathed to the Society. These items are currently in the process of being distributed.

The balance sheet does not include gifts of art and craft given to the charity for distribution.

These gifts amounted to £236,200 at the year end.