

Scottish Business in the Community
(A company limited by guarantee)

Annual report
for the year ended 31 May 1997

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Directors and advisors

Directors

Sir Tom Farmer CBE (Chairman)
Barry Sealey CBE (Vice-Chairman)
George C Borthwick CBE
Campbell Christie CBE
Sir Charles Fraser KCVO
Sir Russell Hillhouse KCB
David Logan
Trevor Slater OBE (Resigned 24 October 1996)
Professor John Ward CBE
William Thornton
John Mackay
Janet Hamblin (Appointed 13 August 1996)

Chief Executive

John Moorhouse

Secretary and registered office

Mrs J McCulloch
Romano House
43 Station Road
Edinburgh
EH12 7AF

Address from 6 October 1997

30 Hanover Street
Edinburgh
EH2 2DR

Auditors

Coopers & Lybrand
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Solicitors

W&J Burness WS
16 Hope Street
Edinburgh
EH2 4DD

Bankers

TSB Bank Scotland plc
PO Box 177
120 George Street
Edinburgh
EH2 4TS

Report of the directors for the year ended 31 May 1997

The directors present herewith their report and the audited financial statements for the year ended 31 May 1997.

The statement of financial activities for the year is set out on page 7.

Principal activities

The principal activity of the company is the promotion, in Scotland, of business involvement with the community. The organisation is recognised as a charity for tax purposes by the Inland Revenue (CR 43854).

The company performs this activity through the support and encouragement of initiatives such as Business Support Groups, Action Scotland, SCORE, Employer Supported Volunteering, Windsor Meetings, The Prince's Trust and Young Enterprise Scotland.

Review of the business

Membership of the organisation has remained relatively static through the year and with the aim of improving cashflow a new system of collection of subscriptions was instituted with two period payments now applying in January and April of each year. The company continues to attract significant in-kind assistance both in the form of secondments (The Employment Service, The Royal Bank of Scotland plc, Royal Mail, The Scottish Office, Scottish Prison Service and Scottish Widows' Fund and Life Assurance Society) and through access to services. In particular the Royal Mail made a significant contribution through the provision of design and printing work carried out on behalf of the company and the many charitable and community projects it supports.

The process of planning and expansion of Business Support Groups in line with the new Priority Partnership Areas as defined by The Scottish Office is underway. A series of working groups involving the BSG Managers produced a Development Strategy which has led to the appointment of a number of Task Forces looking at specific issues in relation to that development. Members of the Executive Council have been appointed to each Task Force and it is intended that a report will be presented to the Board in due course. The organisation has been fortunate to secure an additional secondee from The Scottish Office to work alongside the current secondee who is now devoting two thirds of his time to the Scotland Against Drugs campaign. This commitment falls clearly into the company's role in regenerating local communities and helping those suffering disadvantage.

As advised in last year's report the company incorporated fully the work of Action Scotland from 1 July 1996. A secondee from The Royal Bank of Scotland was appointed as director of this project with the ongoing support of the Secondment Development Manager who became a full-time member of the staff at that time. A programme of 50 short term development assignments was completed in the year with participation from Marks & Spencer plc, Standard Life, Scottish Power, BAA and Dunfermline Building Society and 18 placements under the Shell STEP Into the Community scheme were successfully undertaken.

Report of the directors
for the year ended 31 May 1997 (continued)

Review of the business (continued)

A first pilot of the mentoring scheme, Roots and Wings, is underway in partnership with BT and Business in the Community and it is hoped that this scheme can become a mainstream produce of the company.

Due to the restructuring of the national railway network the British Rail Community Unit has now been disbanded. The directors would like to express their gratitude to the British Railways Board for their support over the years, recognising that this will be the last year when this financing of SCORE personnel was available.

The company has made an ongoing commitment to 2 part-time staff from the railway network to continue the management of Glasgow/West of Scotland SCORE and a review of the entire operation is underway to consider the best and most appropriate operation and delivery of this service. There are currently 9 co-ordinators recruiting members, and placing and monitoring assignments in Edinburgh, Glasgow, Stirling, Dundee, Fife, the Borders, Ayrshire, Lanarkshire and Renfrewshire with members working in support of community and voluntary organisations as well as monitoring small businesses.

The company has, in partnership with BITC and the EBP network, participated in the Employees in the Community Awards, Aim High Awards and the Community Enterprise Awards.

In the coming year the company will be managing and developing the National Foundation for Teaching Entrepreneurship. This programme, which was first run in Scotland as a pilot by Scottish Enterprise, teaches students how to start, finance and run a successful business of their own.

Notice has been received to quit Romano House in the current year and an offer of premises on a nil rent basis has been made by TSB Bank Scotland plc for a five year period. The directors are grateful for this tremendous measure of support for the organisation from a long standing member company and look forward to giving full recognition at an early opportunity. Business Enterprise Scotland moved to independent premises during the year. The company has been happy to house the Fund Raising Manager Scotland for The Prince's Trust.

The directors are pleased to record that Investor In People status was awarded to the company for the second time during the year. The directors express their thanks to all sponsors and supporters of the company.

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Report of the directors for the year ended 31 May 1997 (continued)

The liability of each of the guarantors in the event of a winding up is limited to £5. At 31 May 1997 there were 12 guarantors in the register of members.

Directors

The following were the directors of the company in the year to 31 May 1997:

Sir Tom Farmer CBE	(Chairman)
Barry Sealey CBE	(Vice-Chairman)
George C Borthwick CBE	
Campbell Christie CBE	
Sir Charles Fraser KCVO	
Sir Russell Hillhouse KCB	
David Logan	
Trevor Slater OBE	(Resigned 24 October 1996)
Professor John Ward CBE	
William Thornton	
John Mackay	
Janet Hamblin	(Appointed 13 August 1996)

In accordance with the company's Articles of Association, the following directors retired and were re-elected:

George C Borthwick CBE
Sir Charles Fraser KCVO
Sir Russell Hillhouse KCB

Changes in fixed assets

The movements in fixed assets during the year are set out in note 8 to the accounts.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 May 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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Report of the directors
for the year ended 31 May 1997 (continued)

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

Jennifer McCulloch

Secretary

13 November 1997

Report of the auditors to the members of Scottish Business in the Community (A company limited by guarantee)

We have audited the financial statements set out on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on pages 4 and 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

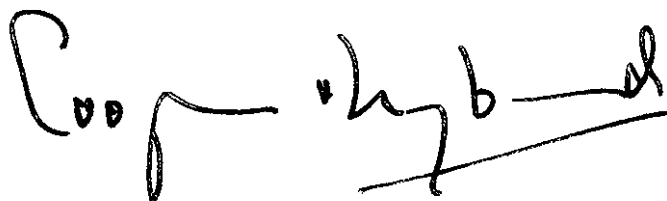
Basis of opinion

We conducted our audit in accordance with 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 the company's affairs at 31 May 1997 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Edinburgh,

18. November. 1997

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Statement of financial activities for the year ended 31 May 1997

	Notes	Unrestricted Funds £	Restricted Funds £	Total 1997 £	Total 1996 £
Income & Expenditure					
Incoming resources -					
Continuing					
Subscriptions	2	176,151	-	176,151	174,780
Sponsorship		-	49,787	49,787	68,201
Training & Conference Fees		14,328	-	14,328	8,245
Management fee income		20,375	-	20,375	-
Bank interest		1,017	-	1,017	3,035
Other income		3,115	-	3,115	1,409
Total incoming resources		214,986	49,787	264,773	255,670
Change in stock				(56)	34
				<u>264,717</u>	<u>255,704</u>
Resources expended					
Direct charitable expenditure	3	14,934	16,727	31,661	55,673
Management and administration of the charity	4	187,558	33,060	220,618	209,495
		202,492	49,787	252,279	265,168
Less: Contribution from Action Scotland		-	-	-	(10,045)
		202,492	49,787	252,279	255,123
Surplus for year - continuing	6			<u>12,438</u>	<u>581</u>
Statement of accumulated surplus				£	£
Accumulated surplus at 31 May 1996				12,221	11,640
Surplus for the year				12,438	581
Accumulated surplus at 31 May 1997				<u>24,659</u>	<u>12,221</u>

The company has no recognised gains and losses other than the surplus above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the surplus for the year stated above and its historical cost equivalent.

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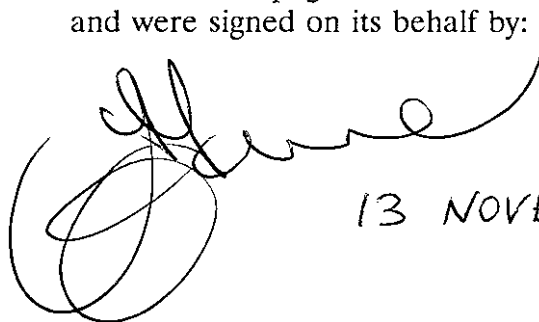
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Balance sheet - 31 May 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	<u>12,240</u>	<u>20,002</u>
Current assets			
Debtors	9	14,502	16,482
Stock	10	323	379
Cash at bank and in hand	11	<u>54,092</u>	<u>135,638</u>
		68,917	152,499
Creditors - amounts falling due within one year	12	<u>33,622</u>	<u>29,964</u>
Net current assets		<u>35,295</u>	<u>122,535</u>
Total assets less current liabilities		<u>47,535</u>	<u>142,537</u>
Creditors - amounts falling due after more than one year	13	<u>3,667</u>	<u>4,889</u>
Net assets		<u><u>43,868</u></u>	<u><u>137,648</u></u>
Representing:-			
Unrestricted funds			
Accumulated surplus		24,659	12,221
Restricted funds			
Funds held for Enterprise Trusts	15	-	108,654
Steps into Work	16	-	16,799
Windsor Meetings in Scotland	17	5,945	245
Support for Business Enterprise Scotland	18	2,264	(120)
Support for Scottish Business Crime Centre	19	10,752	-
Support for Young Enterprise Scotland	20	248	(151)
		<u>43,868</u>	<u>137,648</u>

The financial statements on pages 7 to 18 were approved by the board of directors on
and were signed on its behalf by:

Director



13 NOVEMBER 1997

Notes to the financial statements
for the year ended 31 May 1997

1 The company does not seek to make a profit, nor can its achievements be measured by normal commercial criteria. In order that a true and fair view of its activities should be given in these accounts, the directors have set out on page 7 a Statement of Financial Activities which shows the results for the year, but in a format other than as prescribed in the Companies Act 1985. In the opinion of the directors this provides greater clarity on the nature of the company's activities, and discloses in sufficient detail information relating thereto, as required by the Companies Act 1985.

2 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and Statement of Recommended Practice ("Accounting by Charities"). As in previous years, the financial statements are prepared in accordance with the historical cost convention. A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

Subscriptions

Subscription income is taken into account on a cash basis unless a contract is in place in which case it is accrued into the period to which it relates.

Expenditure

All operating expenditure, including costs of preparing and printing publications, is written off in the year in which it is incurred.

Income and expenditure arising from the management of specific projects on behalf of other agencies is excluded from the company's Statement of Financial Affairs.

Tangible fixed assets

Provision for depreciation is made so as to write-off the cost of fixed assets, which are stated at their purchase price, on a straight line basis over the expected useful economic life of the assets concerned. The principal rates used, which are consistent with those of the previous period, are:-

Office fittings	10%
Office equipment	20%
Motor vehicles	25%

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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2 Accounting policies (continued)

Stock

Stocks are stated at the lower of cost and net realisable value.

Cash flow statement

The company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

3 Direct charitable expenditure

	Unrestricted Funds £	Restricted Funds £	Total 1997 £	Total 1996 £
Business Support Groups	1,515	16,727	18,242	28,753
Enterprise development	-	-	-	4,510
Scottish Corps of Retired Executives	9,228	-	9,228	9,971
Training & conferences	4,191	-	4,191	2,989
Working together activities	-	-	-	9,450
	<u>14,934</u>	<u>16,727</u>	<u>31,661</u>	<u>55,673</u>

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4 Management and administration of the charity

	Unrestricted Funds	Restricted Funds	Total 1997	Total 1996
	£	£	£	£
Depreciation	5,874	-	5,874	8,106
Gain on sale of fixed asset	(1,312)	-	(1,312)	(3,300)
Loan interest	511	-	511	500
Office service costs	17,115	-	17,115	19,591
Pension contributions	15,515	-	15,515	11,390
Postage & stationery	5,609	-	5,609	8,657
Publications & newspapers	2,290	-	2,290	1,888
Rent	26,735	-	26,735	23,053
Salaries	84,281	33,060	117,341	112,394
Staff development	1,534	-	1,534	911
Sundry office & administration expenses	2,032	-	2,032	4,023
Telephone	3,694	-	3,694	5,088
Travel & subsistence	23,680	-	23,680	17,194
	<u>187,558</u>	<u>33,060</u>	<u>220,618</u>	<u>209,495</u>

5 Corporation tax

The company acquired charitable status with effect from 26 December 1988, and is therefore exempt from taxation under section 505, Income and Corporation Taxes Act 1988.

6 Surplus for the year

The surplus for the year is stated after charging

	1997	1996
	£	£
Hire of office equipment - operating leases	<u>8,510</u>	<u>5,346</u>

The directors and auditors have agreed to provide their services on an honorary basis. Accordingly, no directors' emoluments or auditors' remuneration have been charged in arriving at the surplus for the year.

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7 Employee information

- (a) The average number of persons directly employed by the company is analysed below:-

	1997	1996
Administration	6	6
	=	=

- (b) Company employment costs:

	1997	1996
	£	£
Gross wages	106,555	102,210
Employer's national insurance contributions	10,786	10,184
Pension contributions	15,515	11,390
	<u>132,856</u>	<u>123,784</u>
	<u><u>132,856</u></u>	<u><u>123,784</u></u>

- c) In addition to the above the company has received the services of eight executive staff seconded at no charge from their employers; Employment Service, The Scottish Office, The Scottish Prison Service, Scottish Widows' Fund and Life Assurance Society, Royal Mail and The Royal Bank of Scotland plc. Without this assistance, which is valued at £355,400, the company could not have carried out its operations. The company also received the services of three part-time staff valued at £16,200 a year.

- (d) **Pension Scheme**

The company participates in a defined contribution pension scheme for their employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £15,515 (1996: £11,390).

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8 Fixed assets

	Office equipment £	Office fittings £	Motor vehicles £	Total £
Cost				
At 31 May 1996	26,201	29,551	20,346	76,098
Additions	-	-	-	-
Disposals	-	-	(6,474)	(6,474)
At 31 May 1997	26,201	29,551	13,872	69,624
Depreciation				
At 31 May 1996	24,543	23,500	8,053	56,096
Charge for year	665	1,741	3,468	5,874
Disposals	-	-	(4,586)	(4,586)
At 31 May 1997	25,208	25,241	6,935	57,384
Net book value				
At 31 May 1997	993	4,310	6,937	12,240
Net book value At 31 May 1996	1,658	6,051	12,293	20,002

9 Debtors

Amounts falling due within one year:-

	1997 £	1996 £
Sundry debtors	3,060	6,742
Prepayments and accrued income	11,442	9,740
	14,502	16,482

10 Stock

	1997 £	1996 £
Consumables	323	379

11 Cash at bank and in hand

Cash at bank includes the funds referred to in notes 15, 16, 17, 18 and 19.

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12 Creditors

Amounts falling due within one year:-

	1997	1996
	£	£
Bank loan (see note 13 (a))	1,222	3,667
Other taxation and social security	4,160	3,498
Sundry creditors	-	8,357
Accruals and deferred income	28,240	14,442
	<u>33,622</u>	<u>29,964</u>

13 Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Bank loan (a)	<u>3,667</u>	<u>4,889</u>

(a) Bank loan

	1997	1996
	£	£
Repayable as follows:-		
In one year or less	1,222	3,667
Between one and two years	3,667	3,667
Between two and five years	-	1,222
	<u>4,889</u>	<u>8,556</u>

The loan of £4,889 is subject to interest of 2% over the bank base rate and is repayable in monthly instalments over the period to September 1998.

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14 Financial commitments

As at 31 May 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997	1996
	£	£
Due within 1 year	995	-
Due within 1 to 2 years	3,792	-
Expiring between 2 and 5 years	3,723	5,346
	8,510	5,346

15 Funds held for Enterprise Trusts

These represent sums donated to the company, for distribution to local Enterprise Trusts. As indicated in last year's Directors' Report this has been the final year of the company's management of the Funds held for Enterprise Trusts. This responsibility has now passed to Business Enterprise Scotland. The residual balance of the Fund has been transferred to the company's core account as a management fee.

	£
Balance at 31 May 1996	108,654
Contributions received	
Business Enterprise Scotland	1,596
Total	1,596
	110,250
Distributions made	
The Capital Enterprise Trust	5,000
Dumbarton District Enterprise Trust	8,000
Glasgow Opportunities	18,000
Gordon Enterprise Trust	17,000
East Kilbride Business Centre	3,000
Mid Fife Business Trust	7,500
Hamilton Enterprise Development Company	10,000
Motherwell Education Development Company	13,000
Stirling Enterprise	10,000
Business Enterprise Scotland	16,000
Management fee	2,750
Total	110,250
Balance at 31 May 1997	-

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16 Steps into Work

These represent sums managed by the company on behalf of the Edinburgh Business Support Group network in order to deliver job readiness training to unemployed people. This programme is now concluded and following the agreement set out on its establishment the balance of funds has been transferred to the company's core account as a management fee.

	£
Balance at 31 May 1996	16,799
Contributions received	-
	16,799
Distributions made	
Fees for evaluation study	11,750
Management fee	5,049
	16,799
Balance at 31 May 1997	-

17 Windsor Meetings in Scotland

These funds represent sums managed by the Company on behalf of the Windsor Meetings in Scotland for the purpose of organising twice yearly meetings of "tomorrow's leaders" from all walks of life. The fund recognises receipts on a cash basis and may include donations in respect of more than one year.

	£
Balance at 31 May 1996	245
Contributions received	45,183
Distributions made	
Meeting costs	39,483
Balance at 31 May 1997	5,945

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18 Business Enterprise Scotland

Business Enterprise Scotland is the new representative organisation for the Enterprise Trusts in Scotland. To assist in the operation of BES, SBC is acting as a clearinghouse for some of the Association's funds during its early years.

	£
Balance at 31 May 1996	(120)
Contributions received	
Subscription fees	16,157
Sponsorship	3,000
BES - reimbursements	2,400
	21,557
Distributions made	
BES - salary	15,958
Repayment of subscription fees	3,215
	19,173
Balance at 31 May 1997	<u>2,264</u>

19 Scottish Business Crime Centre

The Scottish Business Crime Centre is a joint initiative of the Scottish Office and the business sector. The function of the Centre is to provide practical and impartial advice to the business sector on how to develop business crime reduction and prevention strategies.

Funds provided by The Scottish Office for the employment of a Chief Executive of the Centre are being managed by the company on behalf of the business sector. The company receives a management fee for this service.

	£
Balance at 31 May 1996	-
Contributions received	22,000
Distributions made	
Chief Executive's fees	9,248
Management fee	2,000
	11,248
Balance at 31 May 1997	<u>10,752</u>

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20 Young Enterprise Scotland

The company administers funds, as a service in-kind, provided by YES for the payment of staff salaries.

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The directors are grateful for the continued generous sponsorship by the following companies:

Alcan Smelting and Power UK	Scottish Prison Service
Alexander Russell plc	Scottish Widows' Fund & Life
Arjo Wiggins Fine Papers Limited	Ass. Society
Arthur Andersen & Co	Shell U.K. Limited
Bank of England	Standard Life Assurance Co
Bank of Scotland	Sun Microsystems
Barr Holdings Limited	Tarmac
British Gas Trading Limited	D C Thomson & Co Limited
The Boots Company plc	TSB Bank Scotland plc
British Airways Scotland	United Biscuits plc
The British Petroleum Company plc	United Distillers plc
British Steel (Industry) Limited	The Town House
BT plc	Vantona Viyella
The Burton Group plc	The Weir Group plc
Calor Gas Ltd	John Wood Group plc
Clydesdale Bank plc	Whitbread plc
Employment Service	
Ethicon Limited	
Exxon Chemicals	
James Finlay plc	
General Accident plc	
The Highland Distilleries Co plc	
Highlands & Islands Enterprise	
IBM United Kingdom	
Johnston Press plc	
Kwik-Fit Holdings plc	
Laing	
Marks & Spencer plc	
Midland Bank plc	
John Menzies plc	
KPMG	
Prudential Corporation plc	
Redland plc	
Robertson & Baxter Limited	
The Royal Bank of Scotland plc	
Royal Mail	
Christian Salvesen plc	
J Sainsbury plc	
ScotRail	
The Scotsman Publications Limited	
Scottish Amicable Life Assurance Society	
Scottish Brewers Limited	
Scottish Enterprise	
Scottish Homes	
Scottish Life Assurance Company	
Scottish Mutual Assurance Society	
The Scottish Office	
Scottish Power	