

~~PRICEWATERHOUSE COOPERS~~

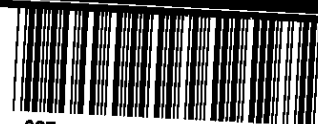
Scottish Business in the Community

(A company limited by guarantee)

Annual Report

For the year ended 31 May 2002

SC80355



SCT S6VIAGLM
COMPANIES HOUSE

0205
09/12/02

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

Annual Report

For the year ended 31 May 2002

Contents

Directors and Advisors for the year ended 31 May 2002.....	2
Directors' report for the year ended 31 May 2002.....	3
Auditors' report to the members of Scottish Business in the Community.....	10
Statement of financial activities (incorporating income and expenditure account) for the year ended 31 May 2002.....	11
Balance sheet as at 31 May 2002.....	12
Notes to the financial statements for the year ended 31 May 2002.....	13

Scottish Business in the Community

(A company limited by guarantee)

Directors and Advisors for the year ended 31 May 2002

Directors

George C Borthwick CBE (Chairman)
The Hon Mark H Laing (Vice-Chairman) (re-appointed as director at AGM 29 November 2001)
Oonagh Aitken (resigned 13 September 2001)
JP Dugdale Bradley
Dr Robert Crawford
Brian J Dempsey
Gerard JP Eadie (re-appointed as director at AGM 29 November 2001)
Janet M Hamblin (re-appointed as director at AGM 29 November 2001)
David B Justice MBE (resigned 2 September 2002)
Susan Rice (appointed as director on 28 May 2001 confirmed at AGM 29 November 2001)
Sir A Muir Russell
Barry E Sealey (re-appointed as director at AGM 29 November 2001)
Jane Scott

Chief Executive

Samantha Barber

Secretary and registered office

James A Graham
PO Box 408
Bankhead Avenue
Edinburgh
EH11 4HE

Auditors

PricewaterhouseCoopers
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Solicitors

Brodies Solicitors
15 Atholl Crescent
Edinburgh
EH3 8AH

Bankers

Lloyds TSB Bank plc
28 Hanover Street
Edinburgh
EH2 2DS

Scottish Business in the Community

(A company limited by guarantee)

Directors' report for the year ended 31 May 2002

Statutory requirements

The directors confirm that the report and accounts comply with current statutory requirements, with the company's Memorandum and Articles of Association and with the principles set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000.

Principal activities

The principal activity of Scottish Business in the Community (SBC) is to engage organisations and individuals in the development of communities across Scotland.

The company achieves this through its being a leading authority on Corporate Social Responsibility, and the development of programmes which support the social and economic regeneration of communities across Scotland. The programmes include Business Support Groups, Development Assignment Programme, Professional Firms Network, Senior Executive Programme and Partners in Leadership. The Organisation is recognised as a charity for tax purposes by the Inland Revenue (CR43854)

Appointment of directors

New directors are proposed, seconded and agreed at regular quarterly board meetings. They serve as board members until the next Annual General Meeting of the Company at which time their appointment is ratified or otherwise by all the members voting in person or by proxy. In accordance with the Company's Articles of Association, one third of the directors retire and may seek re-election each year. The directors of the charitable company are its trustees for the purpose of charity law. The directors serving during the year and since the year end are set out on page 2.

Organisational structure

SBC comprises a head office team of eight people reporting to the Chief Executive. A further twenty programme managers and co-ordinators, located mainly in central Scotland, report to the appropriate head office team members. The Chief Executive is responsible to the board of directors for implementation of SBC strategy and policies as well as general operational matters. Major strategic and operating issues are agreed formally by the board at their quarterly meetings but close contact is maintained on a permanent basis between SBC management and the Chairman, Vice Chairman and board sub committee members.

Related party transactions

SBC has no relationship with any other party or parties which might inhibit it from pursuing its own separate interests. Where SBC acts in partnership with other organisations no written documentation is raised to commit SBC to any liability for loss due to the actions of such partners.

Review of the business

The year under review was one of significant development for the Organisation with an increase in team members to cope with the greater level of activity:

SBC's position as a leading authority on Corporate Social Responsibility (CSR) and the key business organisation promoting the involvement of the business community in supporting the social and economic regeneration of communities across Scotland was strengthened during the year. One of the highlights of this was the hosting of a series of seminars in partnership with Ashridge College, looking at Community Investment in Practice, and Social Inclusion Partnerships: Engaging the Private Sector.

Scottish Business in the Community

(A company limited by guarantee)

Directors' report for the year ended 31 May 2002

This theme was also developed at SBC's Annual General Meeting held at the Glasgow Marriott in November 2001. The event, which was attended by 100 guests featured a panel discussion on corporate community investment facilitated by Alf Young of The Herald newspaper and involved 5 senior managers from major private and charitable/community organisations.

Development of the lecture series continued and the increased focus on CSR issues attracted significant numbers of attendees. The most recent lectures involved presentations from senior business managers relating to company policy and developments in Europe. In addition the MORI Lecture "CSR – What is the Impact? – A Scottish Perspective" gave some of the findings of the MORI poll on CSR conducted in Summer 2001 and demonstrated the importance of CSR amongst groups including investors and consumers.

This was followed at the turn of the year with a presentation, 'A View from Europe' from Frank Welvaert, Head of Corporate Social Responsibility with Johnson & Johnson Europe. Mr Welvaert outlined the importance of CSR reflecting the corporate values of Johnson & Johnson as the cornerstone of the way the company conducts its business.

At the end of the financial year, Ed Williams, Head of Corporate Social Responsibility for Marks & Spencer, gave a presentation entitled 'A Brand Build on Trust', looking at the CSR developments at Marks & Spencer in recent times.

Membership

Membership of Scottish Business in the Community demonstrates a company's commitment and belief that Corporate Social Responsibility is a commercial imperative that helps build stronger relationships with customers, employees and wider stakeholders. Membership is also a statement of support to promoting CSR in Scotland.

Five new members were recruited during the year: Tesco, Cisco Systems, Scotmid, Richmond Homes, Calor Gas and several other companies have expressed a strong interest in membership. This was offset by the loss of four members.

The SBC account management system introduced during the year has been responsible for maintaining a closer contact with members ensuring that the support provided is appropriate to their needs. The formation of a Board

Membership Recruitment Committee has given significant support to the SBC team in this vital area of its operation. Advice on sales and marketing techniques have been provided by a member company.

Operational Highlights

The considerable development of SBC in the year under review was reflected in the significant increase in activity in its programmes driven by funding from a variety of sources:

Business Support Groups (BSG)

In the past year excellent progress has been made both in strengthening the support for the existing Business Support Group Network and in developing BSGs in new areas.

A major theme has been a project to strengthen and clarify the relationship between SBC and individual BSGs. An action plan has been agreed with BSG Chairmen the key points of which are now being implemented

- A Good Project Guide – writing up and sharing good practice examples of successful projects
- A Training Framework for new BSG managers
- A Common Measurement System to capture the impact of individual BSGs and the BSG Network
- An agreed statement of mutual responsibilities and roles

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

Directors' report for the year ended 31 May 2002

In the existing BSGs the highlights were:

- ❖ **Ayrshire BSG** (Ayrshire Business in the Community) - The Group was formally launched in October by George Foulkes – Minister of State at the Scotland Office. It has attracted good support from major businesses in Ayrshire. Its flagship project NEST – provides spare training places on in-house company courses for long term unemployed people.
- ❖ **Craigmillar BSG** (Business Community Connections) - went from strength to strength with a major project to support local small businesses and develop the social economy taking up opportunities arising from the new Edinburgh Royal Infirmary.
- ❖ **Dundee Employment and Aftercare Project** (Whitfield BSG) - won the 2001 SURF Regeneration Award and also celebrated in December its 2000th placement of an unemployed person – both outstanding achievements.
- ❖ **Dundee BSG** – made good progress in extending the involvement of Dundee-based companies in a wide range of community and voluntary projects and attracting positive comments from European funders.
- ❖ **Greater Easterhouse** - Good support continued to be given to a number major projects by the Group. The development of a Glasgow-wide initiative (see below) meant that the most significant efforts during the year were directed towards that objective.
- ❖ **Fife BSG** - the Group has widened both its geographical coverage and attracted more major Fife companies to its activities. It has also run the very successful “Ethos of Work “ project introducing primary school and special needs pupils to the world of work and the link between learning and jobs.
- ❖ **Lanarkshire BSG** - was launched on 30th August 2001 by Sir Alex Ferguson and has also attracted major Lanarkshire companies to support tailored employment projects and support for voluntary groups.
- ❖ **Mayfield BSG** – efforts have mainly been focussed, with significant support from SBC, in establishing a solid funding base for the group. The imaginative IT training project by the BSG member company McSence won SBC Community Investment award at the Quality Scotland Awards for Excellence in November 2001.
- ❖ **Paisley BSG** – efforts were concentrated on developing the funding base of the group and extending its remit to all of Renfrewshire. The Hot Hoops young peoples Basketball project was a major success, promoting health and well-being to young people by diverting them from anti-social activities.
- ❖ **Perth and Kinross BSG** – the Group piloted an outreach project in the rural area of Blairgowrie/Rattray and, with the background of significantly reducing unemployment in Perth and Kinross, have taken a new focus on Education in the latter part of the year.
- ❖ **West Lothian BSG** - was the 3rd BSG to emerge during the year. The Group opened up on 25th January 2002 with a “Day of Action” in which 18 companies were involved in a range of educational and community activities. A number of innovative projects are currently being progressed.
- ❖ **West Dunbartonshire BSG** - after a quiet period the Group in the second part of the year has been re-invigorated with a new Chairman and manager and is looking to expand its members and impact. The Beardmore Hotel – Young Peoples Challenge has been a major success with local schools challenging young people to produce innovative food for a special event.

The other main theme of the year was the development of new BSGs.

- ❖ **Glasgow** –With significant support from Board Member Brian Dempsey and a number of committed companies we have made real progress in the creation of a Glasgow-wide initiative over the past 12 months. Following a discussion forum in March 2002, a project to target ‘no destination’ school leavers in 6 City schools is to be launched in the autumn with the support of almost 20 large companies.
- ❖ **Lochaber BSG** - This BSG will launch during the Autumn of 2002. It is the first BSG in the Highlands and is supported by the Scottish Executive Rural Challenge Fund brokered in by Lochaber Enterprise.

Discussions for new BSGs are progressing in Aberdeen and Angus and have been initiated in Forth Valley and Borders.

Scottish Business in the Community

(A company limited by guarantee)

Directors' report for the year ended 31 May 2002

Partners in Leadership (PIL)

The PIL programme brings together business leaders and head teachers for structured exchanges of knowledge, experience and best practice. An interesting development from the main PIL programme has been our involvement in the Scottish Qualification for Headship (SQH) for Assistant/Deputy head teachers in Edinburgh, Glasgow and West Lothian. In all, around 60 matches were made over the year with business partners including senior managers from:

Boots, British Telecom, Debenhams, First Direct, Glacier Vandervell, Diageo Scotland, HBOS, HSBC, KPMG, Lloyds TSB, Morton Fraser, Royal Bank of Scotland, Scotmid, Scottish Power, Soapworks Ltd and Wisdom IT.

Employer Supported Volunteering (ESV)

In partnership with Volunteer Development Scotland (VDS), SBC has produced a framework for operating an ESV pilot programme in Fife to commence in early 2003, based on the Cares model developed by BiTC. The ESV programme aims to be the main vehicle chosen by leading companies and other major employers in the region who wish to make a significant contribution to their communities by encouraging their employees to participate actively. The pilot will operate for a 12-month period and, depending on the outcome of the subsequent evaluation, consideration will then be given to rolling out the programme to other parts of Scotland.

Senior Executive Programme (SEP)

SEP aims to utilise the experience of volunteer retired managers to provide professional skills and support to charitable and voluntary organisations who do not have the resources to access such advice. The role is to act as a 'broker', matching the needs of community organisations with the professional skills of the volunteers. SEP members give their services on a part-time, voluntary basis. Community groups benefit from access to a wide range of professional management skills, and the volunteers are able to do worthwhile work, which allows them to give something back to the community.

SEP is administered by a network of local co-ordinators and the programme is active in Ayrshire, Borders, Edinburgh and Lothians, Fife, Forth Valley, Greater Glasgow and Lanarkshire. In the year to March 2002, about 150 SEP volunteers contributed over 13,000 hours for the benefit of local communities. In total, over 150 organisations in Scotland have benefited from the programme.

Following the Scottish Executive's approval of funding, a full-time programme manager was appointed in January 2002. The manager's role is to expand and develop the programme and a good start has been made on this. A number of seminars have been held to raise awareness with community groups and increase the number of projects being undertaken. Contacts with employers are also being developed so that their about-to-retire executives can be made aware of the programme and join it if they are interested. A programme of regional expansion is being developed, with current priorities including Dumfries and Galloway, Aberdeen and Inverness. Further opportunities for SEP expansion are also being explored, particularly in conjunction with the developing BSG network.

Professional Firms Network (PFN)

The Professional Firms Network provides free advice and services to community organisations that are working to improve the quality of life in their local areas. The programme acquired its first dedicated manager in January 2002. A new management and delivery framework was established, and a four-month pilot of the programme completed in June. Over 40 projects were helped through the pilot.

The bespoke professional advice that organisations are receiving is vital, and would otherwise have been very difficult to source and fund. The companies and employees involved in the programme already see the real professional, personal and business development opportunities it provides. A network is being established throughout Scotland of professional organisations who are keen to make a contribution to the community. A nationwide marketing campaign is being launched in September 2002.

Scottish Business in the Community

(A company limited by guarantee)

Directors' report for the year ended 31 May 2002

Community Practitioners Forum (CPF)

In June 2001 the CPF was restructured at the request of its members. The CPF now takes the form of a quarterly meeting with a rotating chair and host company, and invites speakers on a range of CSR topics. Recent meetings focusing on issues including Diversity and Education and Literacy have proved very successful. The CPF now comprises fifty organisations from SBC's membership.

Rural Affairs

A Rural Seeing is Believing Visit was held on 25th June 2002, in the Borders area of Scotland. The visit, organised by Scottish Business in the Community, was led by Dominic Fry, Group Director Corporate Communications for Scottish Power. Fourteen senior business leaders from a wide range of companies across Scotland participated, enabling them to see first hand the issues affecting life in rural communities. The visit has led to a considerable number of commitments from the companies present to provide support to the areas visited and is the precursor to the establishment of a Business Support Group in the Borders.

Risk Management and Reserves Policy

Procedures for reporting financial results to management and board members have been maintained at the standards agreed with the board finance committee in the year to 31 May 2001. This is particularly important since a significant proportion of the funds held are restricted or designated. In addition, regarding general reserves, identified initiatives and our commitment to retain sufficient reserves for a minimum of six months working capital, means that it is vital for the company to continue to build its reserves to ensure stability. The Board are committed to ensuring that effective control and monitoring procedures are in place for the future.

The company registered for VAT effective from 1 November 2001 reflecting the increased value of the operation generally and the provision of services to members in furtherance of its declared objectives.

The major risks to which the charity has been exposed, as identified by the board members, have been reviewed and systems established to mitigate those risks.

Benefits-In-Kind and Special Support

The directors wish to record their sincere thanks to Ethicon Ltd for the provision of accommodation for SBC at their Bankhead Crossway premises in Edinburgh. In addition, SBC would wish to thank Ethicon's parent company Johnson & Johnson for their continued support.

The company is also very grateful for the significant financial support received from The Scottish Executive, Scottish Enterprise, West Lothian Council, West Lothian Social Inclusion Partnership, Midlothian Council, Kwik-Fit, BT Scotland, Diageo, Highland Primary Care NHS Trust, and Cisco Systems. This funding has been vital in the development of SBC's programmes and special projects.

Benefit-In-kind support for the Company's administration and operating costs, valued at a conservative £289,000 was also received during the year and included major contributions of:

- ❖ Seconded personnel from The Scottish Executive, Inland Revenue, Employment Service and Scottish Widows;
- ❖ Accommodation from Ethicon, Voluntary Organisations North East Fife, Stirling Enterprise and The Big Idea;
- ❖ Legal, audit and accountancy services from Brodies Solicitors, PricewaterhouseCoopers and Baker Tilly;
- ❖ Design and publicity support from Citigate Smarts; and
- ❖ Website support from Tayburn.

Benefit-in-kind support has not been included in the Company's results for the year.

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

Directors' report for the year ended 31 May 2002

The directors are grateful for the continued generous support by the following organisations:

Alcan Primary Metal Europe	RMC Russell
Arcadia Group plc	Richmond Homes
Ashridge Centre for Business & Society	Roxburghe Hotel
Ayrshire Chamber of Commerce and Industry	Royal Bank of Scotland plc
BAE Systems	Royal Mail
BP Amoco	SCVO
BT Scotland plc	Sainsburys plc
Baker Tilly	Scotmid
Bank of Scotland	Scottish Brewers
Barr Holdings Ltd	Scottish Enterprise Ayrshire
The Boots Company	Scottish Enterprise Dunbartonshire
BAA Scotland	Scottish Enterprise Edinburgh and Lothians
British Airways Scotland	Scottish Enterprise Fife
British Energy	Scottish Enterprise Glasgow
Brodies WS	Scottish Enterprise Lanarkshire
Calour Gas	Scottish Enterprise Network
Cap Gemini Ernst & Young	Scottish Enterprise Renfrewshire
Capital Solutions (Edinburgh) Ltd	Scottish Enterprise Tayside
Citigate Smarts	Scottish Executive
Cisco Systems	Scottish Gas
Clydesdale Bank plc	Scottish Power
Communities Scotland	Scottish Water
Cruden Estates Ltd	Shell UK Ltd
DB Projects Ltd	Simmers of Edinburgh
Daily Record	CR Smith (Glaziers) Ltd
Deutsche Bank	Spectraglass
Diageo Scotland Ltd	Stagecoach Group plc
Dundee & Tayside Chamber of Commerce & Industry	Standard Life Assurance Company
Ethicon Ltd	Strathvale Holdings Ltd
Fife Council	Tayburn
James Finlay	Tesco plc
First Direct	DC Thomson & Co Ltd
HSBC plc	The Townhouse Company
Hewden Plant Hire Ltd	Transco
Hilton Hotel Glasgow	Volunteer Development Scotland
Inland Revenue	Weir Group
Job Centre Plus	West Lothian Council
Johnson & Johnson	Whitbread plc
Johnston Press plc	Wood Group Management Services Ltd
KPMG LLP	
Kwik-Fit Holdings Ltd	
Laing Construction	
Lloyds TSB Scotland plc	
Lochaber Enterprise	
Macdonald Hotel Group	
McSence Ltd	
Marks & Spencer plc	
Marsh UK	
Microsoft	
Midlothian Council	
Morgan Stanley	
Norwich Union	
Pfizer	
Pillans & Wilson	
PricewaterhouseCoopers	
Prudential Corporation plc	

Scottish Business in the Community

(A company limited by guarantee)

Directors' report for the year ended 31 May 2002

Guarantors

The liability of each of the guarantors in the event of a winding up is limited to £5. At 31 May 2002 there were 65 guarantors in the register of members.

Changes in Fixed Assets

The movements in fixed assets during the year are set out in note 7 to the financial statements.

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 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 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board



James A Graham
Secretary

22 OCTOBER 2002

Scottish Business in the Community

(A company limited by guarantee)

Independent auditors' report to the members of Scottish Business in the Community

We have audited the financial statements which comprise of the statement of financial activities, the balance sheet and the related notes.

Respective responsibilities of the directors and auditors

The directors also act as trustees for the charitable activities of Scottish Business in the Community. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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 directors' report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only of the directors' report.

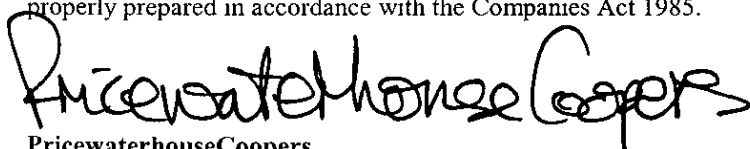
Basis of audit opinion

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 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 by 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 2002 and of its net incoming resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
23 October 2002

Scottish Business in the Community

(A company limited by guarantee)

Statement of Financial Activities

(incorporating the Income and Expenditure Account for the year ended 31 May 2002)

	Notes	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	Total 2002 £	Total 2001 £
Incoming resources						
Activities in furtherance of the charity's objects:						
Subscriptions	1	-	165,878	-	165,878	153,400
Pledges of commitment		-	2,500	-	2,500	2,500
Grants received		98,111		35,000	133,111	56,583
Programme income		4,000	-	-	4,000	10,983
Challenge fund		2,500	-	-	2,500	7,642
Other income		-	1,500	-	1,500	5,290
Activities for generating funds						
Sponsorship		109,877	7,650	16,677	134,204	209,677
Bank interest		-	8,546	-	8,546	4,666
Total incoming resources		214,488	186,074	51,677	452,239	450,741
Resources expended						
Cost of activities in furtherance of charity's objects	2	205,460	6,085	22,500	234,045	112,034
Management and administration	3	50,354	78,335	10,000	138,689	114,936
Total resources expended		255,814	84,420	32,500	372,734	226,970
Net income/expenditure before transfers	5	(41,326)	101,654	19,177	79,505	223,771
Transfers between funds		-	-	-	-	-
Net movement in funds		(41,326)	101,654	19,177	79,505	223,771
Funds brought forward at 1 June		52,431	56,295	135,143	243,869	20,098
Funds balance carried forward at 31 May		11,105	157,949	154,320	323,374	243,869

The company has no recognised gains or 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.

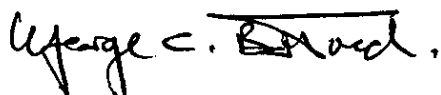
All of the above relate to continuing activities.

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

Balance sheet as at 31 May 2002

	Notes	2002 £	2001 £
Fixed Assets			
Tangible assets	7	24,840	12,965
Current Assets			
Debtors	8	5,977	9,170
Stock	9	200	200
Cash at bank and in hand		393,215	293,829
		399,392	303,199
Creditors – amounts falling due within one year	10	100,858	72,295
Net current assets		298,534	230,904
Total assets less current liabilities		323,374	243,869
Net assets		323,374	243,869
Representing:			
Unrestricted funds	14	312,269	191,438
Restricted funds	14	11,105	52,431
	14	323,374	243,869

The financial statements on pages 11 to 20 were approved by the board of directors on 23 October 2002 and were signed on its behalf by:



George C Borthwick
Director

Scottish Business in the Community

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 May 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and Statement of Recommended Practice 'SORP', "Accounting and Reporting by Charities" published in October 2000. As in previous years, the financial statements are prepared in accordance with the historical cost convention. A summary of the accounting policies of the company, which have been applied consistently, is set out below.

Membership 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.

Grants and sponsorship

Restricted funds are released to revenue when the related expenditure occurs. All other grants and sponsorship are treated as income on receipt. Where appropriate, management and administration expenditure is allocated to grant and sponsorship projects, and SBC programmes on the basis of an estimate of the level of activity required to support them.

Expenditure

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

Tangible fixed assets

Tangible fixed assets costing more than £50 are capitalised and included at cost including any incidental expenses of acquisition.

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 (including computers)	20% -33.3%
Motor vehicles	25%

Operating leases

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

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 requirements to publish a cash flow statement.

Stock

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

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

2 Costs of activities in furtherance of charity's objects

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2002 Total £	2001 Total £
Business Support Groups	81,392	5,806	22,500	109,698	75,414
Senior Executive Programme	66,961	-	-	66,961	14,090
Events	26,398	-	-	26,398	9,092
Development Assign Prog	4,974	-	-	4,974	3,756
Partners in Leadership	3,632	-	-	3,632	1,366
Challenge Fund	2,500	-	-	2,500	7,642
Professional Firms Network	11,966	-	-	11,966	-
Publicity	7,637	-	-	7,637	-
Subscription Costs	-	279	-	279	674
	205,460	6,085	22,500	234,045	112,034

3 Management and administration

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2002 Total £	2001 Total £
Depreciation	-	6,428	-	6,428	4,993
Office service costs	-	14,164	-	14,164	12,483
Pension contributions	-	5,459	-	5,459	2,895
Postage & Stationery	-	1,207	-	1,207	2,627
Printing & Publicity	-	1,375	-	1,375	1,295
Professional Fees	-	1,234	-	1,234	2,989
Publications & Newspapers	-	182	-	182	335
Relaunch Costs	-	96	-	96	4,209
Removal Costs	-	-	-	-	3,153

Scottish Business in the Community

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 May 2002 (continued)

3 Management and administration (continued)

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2002 Total £	2001 Total £
Salaries	50,354	33,590	10,000	93,944	69,591
Sundry Office & Admin Exps	-	57	-	57	734
Telephone	-	3,389	-	3,389	4,345
Training	-	2,411	-	2,411	940
Travel & Subsistence	-	8,743	-	8,743	4,347
	50,354	78,355	10,000	138,689	114,936

4 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.

5 Surplus for the year

The surplus for the year is stated after charging

	2002 £	2001 £
Hire of office equipment – operating leases	3,557	4,251

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

6 Employee information

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

	2002	2001
Programme managers	2	-
Administration	6	5

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

6 Employee information (continued)

(b) Company employment costs:

	2002 £	2001 £
Gross wages	176,204	114,631
Employer's national insurance contributions	17,036	12,419
Pension contributions (d)	5,459	2,895
	<u>198,699</u>	<u>129,945</u>

(c) The Chief Executive's costs were met by a third party until 15 May 2002 and were not reimbursed by the company. This support will not apply to the year to 31 May 2003 and subsequent years. The sum involved £53,000 per annum.

(d) 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, where appropriate, to employees' own pension schemes and amounted to £5,459 (2001 £2,895).

(e) No remuneration or expenses are paid to directors.

(f) In addition to the paid employees noted above, SBC had the support during the year of four persons on secondment from other organisations.

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

7 Fixed assets

	Office Equipment £	Office Fittings £	Motor Vehicles £	Total £
Cost				
At 31 May 2001	31,919	6,884	13,872	52,675
Additions	20,911	1,426	-	22,337
At 31 May 2002	52,830	8,310	13,872	75,012
Depreciation				
At 31 May 2001	23,768	2,070	13,872	39,710
Charge for year	8,610	1,852	-	10,462
At 31 May 2002	32,378	3,922	13,872	50,172
Net book value				
At 31 May 2002	20,452	4,388	-	24,840
Net book value				
At 31 May 2001	8,151	4,814	-	12,965

8 Debtors

Amounts falling due within one year:

	2002 £	2001 £
Sundry debtors	705	2,150
Prepayments and accrued income	5,272	7,020
	5,977	9,170

9 Stock

	2002 £	2001 £
Consumables	200	200

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

10 Creditors

Amounts falling due within one year:

	2002 £	2001 £
Other taxation and social security	6,357	4,677
VAT	1,240	-
Sundry creditors	8,110	3,162
Accruals and deferred income	85,151	64,456
	100,858	72,295

11 Financial commitments

As at 31 May 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002 £	2001 £
Other assets		
Due within 1 year	1,592	4,046
Due within 1 to 2 years	-	1,592
Expiring between 2 and 5 years	-	-
	1,592	5,638

12 Capital commitments

	2002 £	2001 £
Due within 1 year	-	15,133

13 Related party disclosure

FRS 8 Related Party Disclosures' requires the disclosure of the details of material transactions between the reporting entity and related parties. Under the terms of the Standard, each of the companies that subscribe to membership of the company and are represented on the Board of Directors are deemed to be related parties. The income from those members totalled £193,945 (2001 £117,354). There are no costs incurred with related parties (2001: £nil) Benefits in kind from such related parties totalled £146,000 (2001: £114,000)

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

14 Movements of funds

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2002 Total £	2001 Total £
Opening balance	52,431	56,295	135,143	243,869	20,098
Movement during year	(41,326)	101,654	19,177	79,505	223,771
Balance at 31 May 2002	11,105	157,949	154,320	323,374	243,869

Funds held by the charity are either:

- ❖ **Unrestricted general funds** – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees.
- ❖ **Designated funds** – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.
- ❖ **Restricted funds** – these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

15 Restricted funds

	At 1 June 2001 £	Incoming Resources £	Outgoing Resources £	At 31 May 2002 £
Challenge fund	-	2,500	2,500	-
Business Support Groups	41,000	40,392	81,392	-
Senior Executive Programme	-	69,736	66,961	2,775
Development Assignments	8,189	2,000	4,974	5,215
Events	-	26,398	26,398	-
Partners in Leadership	3,488	2,000	3,632	1,856
Professional Firms Network	-	13,225	11,966	1,259
Management Support	(246)	50,600	50,354	-
Sponsorship	-	7,637	7,637	-
	52,431	214,488	255,814	11,105

The **Challenge Fund** represents cash received from a member company to be used to support community organisations that fulfil requirements agreed with that member company. **Business Support Groups, Senior Executive Programme and Professional Firms Network** funds relate to cash support received from sources such as Scottish Executive, Scottish Enterprise and local authorities to be used to cover the running costs of the programmes. **Development Assignments and Partners in Leadership** comprise income received from organisations involved in the programmes less the cost of operating them. **Events** represents the cost of running a series of seminars on Corporate Social Responsibility less monies recovered from some of the organisations involved. **Sponsorship** is the cost of a supplement in the newspaper Business AM less sponsorship received. **Management support** relates to cash received to cover the costs of the Chief Executive.

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

Notes to the financial statements for the year ended 31 May 2002 (continued)

16 Analysis of net assets between funds

	General Fund £	Designated Fund £	Restricted Funds £	Total Funds £
Tangible fixed assets	8,644	16,196	-	24,840
Cash at bank and in hand	165,414	138,124	89,677	393,215
Other net current liabilities	(16,109)	-	(78,572)	(94,681)
	157,949	154,320	11,105	323,374