

Scottish Business in the Community

(A company limited by guarantee)

Annual Report

For the year ended 31 May 2003

Registered Number SC80355

Charity Number CR43854



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Directors and Advisors for the year ended 31 May 2003

Directors

George C Borthwick CBE (Chairman)
The Hon Mark H Laing (Vice-Chairman)
JP Dugdale Bradley
Dr Robert Crawford (re-appointed as director at AGM 20 November 2002)
Brian J Dempsey (re-appointed as director at AGM 20 November 2002)
Gerard JP Eadie (resigned as a director 1 September 2003)
Janet M Hamblin
David B Justice MBE (resigned as director 2 September 2002)
Michael P Marron (appointed as director 4 December 2002)
Maureen P O'Neill (appointed as director 4 December 2002)
Susan Rice
Sir A Muir Russell (resigned as director 4 July 2003)
John W Elvidge (appointed as director 7 July 2003)
Jane Scott (re-appointed as director at AGM 20 November 2002)
Barry E Sealey CBE (resigned as a director 1 September 2003)
David Sibbald (appointed as director 4 December 2003)

Chief Executive

Samantha Barber

Secretary and registered office

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

Auditors

PricewaterhouseCoopers LLP
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

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Directors' report for the year ended 31 May 2003

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 social and cultural development of The Scottish Community. The company achieves this through being the leading organisation in the expanding field of Corporate Social Responsibility (CSR).

The role of SBC to achieve this is threefold:

Supporting – through its account management system, SBC offers all member companies a structured method of engagement and support.

Brokering – SBC makes key connections between private, public and not-for-profit sectors, to channel business resources into communities. SBC's practical frameworks and wide geographical network provide a simplified means for companies to get staff involved in local community projects.

Challenging – SBC's calendar of events provides opportunities for learning, sharing, networking and developing.

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 ten people reporting to the Chief Executive. A further twenty five 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.

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Directors' report for the year ended 31 May 2003 (continued)

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:

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.

Twelve new members were recruited during the year: Automobile Association, BAA Scotland, Camelot, Daily Record, Dunfermline Building Society, Edinburgh Fund Managers, Greggs of Scotland, Marsh UK Limited, Motorola, Oracle, Scottish Widows, Sodexo and several other companies have expressed a strong interest in membership. This was offset by the loss of seven members.

The SBC account management system introduced during the year to 31 May 2002 has been responsible for maintaining a closer contact with members ensuring that the support provided is appropriate to their needs. This process and recruitment of new members has been further strengthened by the appointment of a Business Development Manager in May 2003. In addition, the Board Membership Recruitment Committee gives significant support to the SBC team in this vital area of its operation.

General Situation

SBC's position as a leading authority on Corporate Social Responsibility (CSR) and the lead business organisation promoting CSR as a natural part of successful business practice, continued to be strengthened. The highlight of the year was SBC's 20th anniversary dinner attended by over three hundred guests including the Vice President Lord Laing of Dunphail, former Chairman Sir Tom Farmer and the three former Chief Executives. This event, and the related publicity documentation significantly increased the profile of SBC.

SBC's profile was further promoted by the development of "Seeing is Believing" visits where senior private sector business leaders are given the opportunity to see at first hand, organisations involved in, and initiatives aimed at, addressing problems identified in communities. Details of the visits carried out are included below.

Development of the Lecture Series continued and the increased focus on CSR issues attracted significant numbers of attendees. A very successful Dialogue Series, chaired by a board member, aimed at highlighting the benefits of CSR to a variety of private and public sector groups also took place during the year.

Significant progress was made with the Glasgow Office which has a city-wide focus and assumed the mantle of several Business Support Groups (BSGs) that previously existed in the city. The last of these, Greater Easterhouse, ended operations in October 2002.

The lead project of the Initiative is "Closing The Gap". This was launched in March 2003 by Iain Gray the then Enterprise Minister. The project involves 5 Glasgow secondary schools each linking with 5 companies to work together to reduce the number young people leaving school with "no destination". This project got off to a very successful start with around £150,000 of company resources already brokered in.

Major negotiations have just been completed to agree SBC's management of a legacy fund of £750,000 on behalf of GlaxoSmithKline in Angus part of which provides funding for the Angus BSG launched in Autumn 2003.

The introduction of a regular SBC newsletter provides an update of all the events and issues relating to SBC's operation and complements the website which has been further developed during the year.

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Directors' report for the year ended 31 May 2003 (continued)

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)

Good progress was made during the past year both in developing BSGs in new areas and in strengthening the support for the existing Business Support Group Network. SBC have been very proactive in brokering partnerships across Scotland to provide financial support to enable BSGs to take on full-time staff. The highlights of the year were:

- ❖ A partnership with the **Coalfields Regeneration Trust** and the **European Regional Development Fund** to provide funding for the next 3 years for 3 coalfields-based BSGs in Midlothian (formerly Mayfield), West Lothian and Fife. Financial support of £243,000,000 will be provided from these sources with a further £84,000 from local authorities, the LECS and one SIP over the next 3 years. This is a major partnership for SBC providing stability and full-time staff in all 3 areas after a period of uncertainty.

New Business Support Groups established during the year were:

- ❖ **Lochaber** – in partnership with Lochaber Enterprise, financial support from the Rural Strategic Support Fund and the Highland Primary Care Trust and in kind support from Alcan This is the first BSG in the Highlands and is developing a distinctive agenda for its area.
- ❖ **Aberdeen** – in partnership with Scottish Enterprise Grampian, Aberdeen City Council and the Great Northern Partnership (SIP). This is a new area for SBC and recently a strong group of companies has been assembled who have ambitions to extend into Aberdeenshire. This was supported by the Seeing is Believing visit in Aberdeen/Aberdeenshire in September 2003.
- ❖ **The Good Project Guide** was launched in February with 21 examples of good projects undertaken by BSGs displayed on the SBC website www.sbcsco.com. A continuing major theme has been a project to strengthen the BSG Network through better sharing of good practice and the website gives a snapshot of some of the projects in which BSGs are currently involved.
- ❖ **Training for BSG Managers** – a project to provide a training and development framework for BSG managers was initiated and good progress has been made.
- ❖ As indicated above the **Angus BSG** was launched in Autumn 2003.
- ❖ Negotiations are also in hand to set up a **Borders BSG**.

Existing BSGs highlights were:

- ❖ **Ayrshire BSG** (Ayrshire Business in the Community) – The Group continues to receive good support from major businesses in Ayrshire. A major new project encouraging modern apprentices across Ayrshire to use their skills to help local communities was developed during the year.
- ❖ **Craigmillar BSG** (Business Community Connections) – the major project to support local small businesses and develop the social economy by taking up opportunities arising from the new Edinburgh Royal Infirmary was implemented during the year. Eleven staff are employed by the BSG.
- ❖ **Dundee Employment and Aftercare Project** (Whitfield BSG) – had another very successful year placing over 1000 people from Dundee's more disadvantaged areas into jobs during 2002.
- ❖ **Dundee BSG** – took on a £250,000 legacy fund on behalf of Levi Strauss and are dispensing it to Dundee community groups. They continue to make good progress in extending the involvement of Dundee-based companies in a wide range of community and voluntary projects.
- ❖ **Fife BSG** – recruited a full-time manager with the new funding support. 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 ran 4 times during the year.
- ❖ **Lanarkshire BSG** – has focused on providing employment and training related opportunities for long term unemployed excluded people. Working in partnership with the Lanarkshire "Routes To Inclusion" management group, the BSG has developed a number of successful initiatives to progress long term unemployed excluded individuals into full time sustainable employment.

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Directors' report for the year ended 31 May 2003 (continued)

- ❖ **Midlothian BSG** – also recruited a full-time manager with the new funding support. One highlight of the year was a “community heroes” awards evening in which the group paid tribute and presented medals to 40 local volunteers from all backgrounds.
- ❖ **North Edinburgh BSG** - major projects during the year included the drive to engage SMEs particularly in the areas of employability and education, and a successful Jobs Fair held in the Spring. A strategic review has led to a commitment to more support being promised by the LEC for extended operations.
- ❖ **Paisley BSG** – the Group suspended operations in October 2002 when the manager's secondment from Jobcentre Plus ended. Efforts have been concentrating on developing the funding base of the group and extending its remit to all of Renfrewshire. The Hot Hoops Basketball project continued to be a major success.
- ❖ **Perth and Kinross BSG** – the new focus on Education was implemented in the year. A strategic review has led to new funding sources being identified. The major funder, Perth and Kinross Council, has increased its contribution.
- ❖ **West Lothian BSG** - also recruited a full-time manager with the new funding support. A number of excellent links have been established with the Young Peoples SIP and with community projects in the West of the county.
- ❖ **West Dunbartonshire BSG** – the Group continued its development with more companies becoming involved and making productive links with a range of local initiatives.

Partners in Leadership (PIL)

The PIL programme brings together business leaders and deputy/head teachers for a structured exchange of knowledge, experience and best practice. The aim is to improve the management and leadership skills of both partners and ultimately to contribute to raising standards in Scottish Schools.

Most of the teachers currently on the programme are based in Edinburgh, Glasgow, East Renfrewshire and West Lothian and are undertaking the Scottish Qualification for Headship (SQH). In addition, this year we have placed head teachers from as far afield as Kirkwall and South Ayrshire.

We were successful in securing funding for the PIL programme for 2003/2004 from Careers Scotland. This has enabled us to recruit a retired head teacher to manage the programme on a consultancy basis. The funding also gives us some scope to further expand the programme into other areas of Scotland.

In all, around 60 matches were made over the year including business partners from BAE Systems, Cisco Systems, Greggs of Scotland, HSBC, Inland Revenue, Oracle, Richmond Homes, Royal Bank of Scotland, Sainburys and Thus plc.

Development Assignment Programme (DAP)

The programme provides an employee with tailored development through the completion of a structured 100 hour secondment in a community organisation. One of the main users of the programme this year was Marks & Spencer. Ten section managers from their stores across Scotland completed the 100 hour secondments in a variety of voluntary and community groups.

The organisations that benefited were Befriending Network, Enterprise North East Trust, Intowork, Nisus Scotland, Scottish Accessable Information Forum, Trinty Church (Cowdenbeath), Victim Support Scotland, Volunteer Centre (Saltcoats), Volunteer Development Scotland and West Lothian Credit Union.

Cares

The Cares programme was introduced in May 2003 and represents a new approach to employee volunteering. In partnership with Volunteer Development Scotland, the programme will initially offer the opportunity for companies to engage their staff in Team Challenges and Action Days.

In line with other Cares programmes operating in other parts of the UK, we hope to be able to provide a wide variety of volunteering opportunities, but much will depend on how successful we are in securing adequate funding for the programme.

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Directors' report for the year ended 31 May 2003 (continued)

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. The role is to act as 'broker', matching the needs of community organisations with the professional skills of the volunteers through a network of local co-ordinators. The volunteers offer a broad range of skills, and the clients who benefit from these skills would often be unable to access them otherwise. Clients also benefit by having access to advice from people with a wealth of experience, maturity and professional knowledge.

4 new regions were added during the year and the programme is now active in 11 regions across Scotland. Project activity doubled from 120 to 238 assignments, volunteer member numbers increased by over 20% from 144 to 176, and programme activity rose by over 25% from 13,380 hours to 17,048 hours. Successful recruitment and advertising campaigns were also run.

A recent client evaluation survey shows that 90% of clients are satisfied or very satisfied with the service they receive from SEP. Typically, clients feel that they have benefited considerably from the advice and support provided by SEP, and would have struggled if SEP assistance had not been available.

As an indication of value-added, the programme contributed over £850,000 worth of benefit-in-kind to community and voluntary organisations last year, based on a conservative valuation of £50 hour for professional services. Over 150 organisations are currently being helped by the Senior Executive Programme throughout Scotland.

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. PFN comprises 20 professional firms that have completed 45 projects at an estimated value of £90,000.

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.

Small Business Consortium (SME)

A UK wide initiative funded by the Department of Trade and Industry aimed at raising the competitiveness of small and medium sized firms through improving their social, environmental and community impact. This will involve SBC working in partnership with the Federation of Small Businesses, British Chambers of Commerce and the Institute of Directors in order to raise awareness and change behaviours.

Community Mark

A national standard for SMEs that recognises their involvement with the local community. This initiative has been piloted in England in 2002 and funded by the Home Office. SBC has the sole right to manage the delivery of the Community Mark in Scotland with a target of 20 businesses to be taken through the process in the next two years.

Community Practitioners Forum (CPF)

The Community Practitioners Forum (CPF), a business-led forum, is a service provided by SBC to its members. The aim of the CPF is to network, share best practice and exchange ideas with other practitioners in Corporate Social Responsibility. The Forum provides a valuable platform for members to explore aspects of CSR in greater depth, and to share ideas and experience with others.

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Directors' report for the year ended 31 May 2003 (continued)

A different SBC member company hosts each meeting, and decides on the topic and speaker with administrative support provided by SBC. Topics explored in 2002/2003 have included:

- ❖ Enterprise and Education
- ❖ Health at Work
- ❖ Work-Life Balance
- ❖ Understanding the needs of disabled people from both an employee and customer perspective

Seeing Is Believing

Activity in the year under review included:

Poundbury – at the invitation of HRH Prince Charles, Duke of Rothesay, a group of senior managers from the construction industry and town planning and architects firms and SBC representatives led by Garry Stewart, Managing Director of Richmond Homes visited Poundbury. Poundbury is the Duchy of Cornwall's extension to the town of Dorchester which may provide a model for future development of urban/rural design whilst demonstrating responsible business practice.

South Lanarkshire - on 11 June 2003 a "Seeing is Believing" visit was held in South Lanarkshire, led by Ken Piggott, Board Director for The Boots Group. SBC's President, Prince Charles, Duke of Rothesay also attended. Ten companies participated and witnessed issues affecting the rural community of Rigside and the town of Lanark. The visit has led to a considerable number of commitments from the companies present to provide support. A further "Seeing is Believing" visit is planned for September 2003 to Aberdeen, Peterhead and Fraserburgh and will be led by Moir Lockhead, Chief Executive of First.

Borders - a Borders "Seeing is Believing" re-union was initiated by the leader, Dominic Fry, Group Director Corporate Communications for Scottish Power on 17 July 2003. This proved highly successful and was attended by the participants of the initial visit in June 2002, included in last years report. The re-union showed how effective and powerful Seeing is Believing visits are as a tool for engagement and there were many very satisfied customers who continue to benefit from the involvement and support of the businesses.

Rural Programme

At the beginning of 2003, SBC established a Rural Leadership Group comprising eleven member companies and organisations. A programme has evolved, initially concentrating on Seeing is Believing visits, local sourcing and the creation of partnerships to maximise impact. A manager was appointed in November 2002 with part of her remit being to drive the Rural Programme forward.

SBC supported the Institute of Grocery Distribution in a local sourcing event in Perth in April 2003 and is planning another event, supported by the Royal Mail and in association with Visit Scotland and Highlands & Islands Enterprise, to take place in Nairn in November 2003.

Other Initiatives

Other initiatives carried out by SBC in the year under review included:

Awards For Excellence – Tesco and The Scottish Nappy Company were winners in this year's Awards for Excellence Scotland, a new programme recognising the overall impact of businesses in Scottish society. The awards, which were sponsored by the Scottish Executive's Communities Scotland, were presented at a celebration lunch in Edinburgh in June 2003 at which Deputy Minister for Communities, Mary Mulligan said that these awards offer a great opportunity to recognise the positive action by businesses in their communities.

Dialogue Series – Susan Rice, SBC Board Member and Chief Executive of Lloyds TSB Scotland, chaired a series of discussions with politicians, CEO's, the voluntary sector and community practitioners to address the issue of CSR. The talks were welcomed by all sectors and deemed to be highly successful

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Directors' report for the year ended 31 May 2003 (continued)

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 Limited 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, Marks & Spencer, BT Scotland, Highland Primary Care NHS Trust, Lochaber Enterprise, Aberdeen City Council, Coalfields Regeneration Trust, Scottish Power, The Boots Company, Richmond Homes, Scotmid, Tesco, Lloyds TSB, Strathvale Holdings and McSence. 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 £238,000 was also received during the year and included major contributions of:

- ❖ Seconded personnel from The Scottish Executive, Job Centre Plus and Scottish Widows;
- ❖ Accommodation from Ethicon, Voluntary Organisations North East Fife, Stirling Enterprise and The Big Idea Irvine;
- ❖ 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.

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Directors' report for the year ended 31 May 2003 (continued)

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

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

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Directors' report for the year ended 31 May 2003 (continued)

Guarantors

The liability of each of the guarantors in the event of a winding up is limited to £5. At 31 May 2003 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.

Director's 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 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

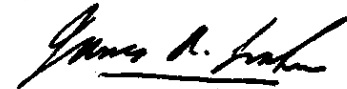
The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors also act as trustees for the charitable activities of Scottish Business in the Community.

Auditors

During the year, PricewaterhouseCoopers resigned as auditors and PricewaterhouseCoopers LLP were appointed. A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

By order of the Board



James A Graham
Secretary
30 October 2003

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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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 charitable 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 charitable company's affairs at 31 May 2003 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 LLP
Chartered Accountants and Registered Auditors
Edinburgh
30 October 2003

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Statement of Financial Activities (incorporating the Income and Expenditure Account for the year ended 31 May 2003)

	Notes	Restricted Funds	Unrestricted Funds General	Unrestricted Funds Designated	Total 2003	Total 2002
		£	£	£	£	£
Incoming resources						
Activities in furtherance of the charity's objects:						
Subscriptions	1	-	201,701	-	201,701	165,878
Pledges of Commitment		-	1,500	-	1,500	2,500
Grants Received		298,114	-	41,231	339,345	133,111
Programme Income		1,000	12,340	-	13,340	4,000
Challenge Fund		-	-	-	-	2,500
Other Income		4,178	-	-	4,178	1,500
Activities for generating funds						
Sponsorship		24,473	52,218	-	76,691	134,204
Bank interest		-	10,107	-	10,107	8,546
Total incoming resources		327,765	277,866	41,231	646,862	452,239
Resources Expended						
Cost of generating funds	2(a)	10,325	27,761	16,653	54,739	26,805
Cost of activities in furtherance of charity's objects	2(b)	232,976	71,131	43,654	347,761	207,240
Management and administration	3	-	132,812	-	132,812	138,689
Total resources expended		243,301	231,704	60,307	535,312	372,734
Net income/(expenditure) before transfers	5	84,464	46,162	(19,076)	111,550	79,505
Net movement in funds		84,464	46,162	(19,076)	111,550	79,505
Funds brought forward at 1 June		11,105	157,949	154,320	323,374	243,869
Funds balance carried forward at 31 May		95,569	204,111	135,244	434,924	323,374

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.

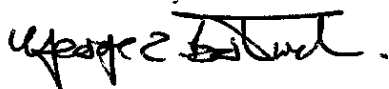
All of the above relate to continuing activities.

Scottish Business in the Community
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Balance sheet as at 31 May 2003

	Notes	2003 £	2002 £
Fixed Assets			
Tangible assets	7	25,145	24,840
Current Assets			
Debtors	8	7,538	5,977
Stock	9	200	200
Cash at bank and in hand		481,371	393,215
		489,109	399,392
Creditors – amounts falling due within one year	10	79,330	100,858
Net current assets		409,779	298,534
Total assets less current liabilities		434,924	323,374
Net assets		434,924	323,374
Representing:			
Unrestricted funds	13	339,355	312,269
Restricted funds	13	95,569	11,105
	13	434,924	323,374

The financial statements on pages 13 to 22 were approved and signed on behalf of the Board of Directors on 30 October 2003 by:



George Borthwick
Chairman

Scottish Business in the Community

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Notes to the financial statements

For the year ended 31 May 2003

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

All 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 expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

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 1/3%
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 term 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.

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Irrecoverable VAT

Any irrecoverable VAT is charged to the statement of financial activities or capitalised as part of the costs of the related asset, where appropriate.

Recognition of Liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

2(a) Cost of Generating Funds

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2003 Total £	2002 Total £
CSR Events, Publicity & Rural Affairs	10,325	27,761	16,653	54,739	26,805
	10,325	27,761	16,653	54,739	26,805

2(b) Costs of activities in furtherance of charity's objects

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2003 Total £	2002 Total £
Business Support Groups	60,589	70,371	-	130,960	99,698
Senior Executive Programme	94,336	-	-	94,336	66,961
CSR Events, Publicity & Rural Affairs	10,325	760	43,654	54,739	17,230
Development Assign Programme	1,764	-	-	1,764	4,974
Partners in Leadership	1,856	-	-	1,856	3,632
Challenge Fund	-	-	-	-	2,500
Professional Firms Network	33,342	-	-	33,342	11,966
Glasgow Project	30,764	-	-	30,764	-
Subscription Costs	-	-	-	-	279
	232,976	71,131	43,654	347,761	207,240

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

3 Management and administration

	2003 Total	2002 Total
	£	£
Depreciation	1,068	6,428
Office service costs	11,501	14,164
Pension contributions	8,316	5,459
Postage & Stationery	1,436	1,207
Printing & Publicity	609	1,375
Professional Fees	2,535	1,234
Publications & Newspapers	186	182
Re-launch Costs	-	96
Salaries	99,315	93,944
Sundry Office & Admin Expenses	880	57
Telephone	3,180	3,389
Training	2,603	2,411
Travel & Subsistence	1,183	8,743
	132,812	138,689

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

	2003 £	2002 £
Hire of office equipment – operating leases	1,613	3,557
Depreciation of fixed assets	12,813	9,492
Gain on disposal of fixed assets	(1,787)	-

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.

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

6 Employee information

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

	2003 Number	2002 Number
Programme managers (h)	7	2
Administration	6	6
	13	8

(b) Company employment costs:

	2003 £	2002 £
Gross wages	280,537	176,204
Employer's national insurance contributions	25,506	17,036
Pension contributions (e)	8,316	5,459
	314,359	198,699

(c) There is one employee in receipt of total remuneration between £50,000 and £60,000 (2002 : nil).

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

(e) 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 £8,316 (2002 £5,459).

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

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

(h) The increase in programme manager numbers and salary costs is significantly the employment of paid BSG managers replacing consultants and seconded persons.

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

7 Fixed assets

	Office Equipment £	Office Fittings £	Motor vehicles £	Total £
Cost				
At 31 May 2002	52,830	8,310	13,872	75,012
Additions	9,895	3,223	-	13,118
Disposals	(189)	-	(13,872)	(14,061)
At 31 May 2003	62,536	11,533	-	74,069
Depreciation				
At May 2002	32,378	3,922	13,872	50,172
Disposals	(189)	-	(13,872)	(14,061)
Charge for year	10,708	2,105	-	12,813
At 31 May 2003	42,897	6,027	-	48,924
Net book value				
At 31 May 2003	19,639	5,506	-	25,145
Net book value				
At 31 May 2002	20,452	4,388	-	24,840

8 Debtors

Amounts falling due within one year:

	2003 £	2002 £
Sundry debtors	3,751	705
Prepayments and accrued income	3,787	5,272
	7,538	5,977

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

9 Stock

	2003 £	2002 £
Consumables	200	200

10 Creditors

Amounts falling due within one year:

	2003 £	2002 £
Other taxation and social security	10,900	6,357
VAT	13,994	1,240
Sundry creditors	9,792	8,110
Accruals and deferred income	44,644	85,151
	79,330	100,858

11 Financial commitments

As at 31 May 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Other assets		
Due within 1 year	-	1,592
Due within 1 to 2 years	-	-
Expiring between 2 and 5 years	-	-
	-	1,592

12 Related party disclosure

Financial Reporting Standard 8: Related Party Disclosures (FRS 8) requires the disclosure of the details of material transactions between the reporting entity and related parties. Under the terms of FRS 8, each of the companies that subscribe to membership of Scottish Business in the Community, and are represented on the Board of Directors, are deemed to be related parties. The income from those members totalled £250,815 (2002: £193,945). There are no costs incurred with related parties (2002: £nil). Benefits in kind from such related parties totalled £84,160 (2002: £146,000).

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

13 Movements of funds

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2003 Total £	2002 Total £
Opening balance	11,105	157,949	154,320	323,374	243,869
Movement during year	84,464	46,162	(19,076)	111,550	79,505
Balance at 31 May 2003	95,569	204,111	135,244	434,924	323,374

14 Fund accounting

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 note 16 to the financial statements.

Transfers between funds can only be made with the approval of the board of directors and must be in accordance with the terms of reference agreed with the donor organisations.

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

15 Restricted funds

	At 1 June 2002	Incoming Resources	Outgoing Resources	At 31 May 2003
	£	£	£	£
Business Support Groups	-	105,514	60,589	44,925
Senior Executive Programme	2,775	107,145	94,336	15,584
Development Assignments	5,215	-	1,764	3,451
Events	-	21,079	20,650	429
Partners in Leadership	1,856	-	1,856	-
Professional Firms Network	1,259	36,789	33,342	4,706
Glasgow Project	-	36,162	30,764	5,398
Awards For Excellence	-	13,000	1,194	11,806
Challenge Fund	-	5,858	-	5,858
Other	-	3,412	-	3,412
	11,105	328,959	244,495	95,569

Business Support Groups, Glasgow Project, 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 includes the cost of running lectures and seminars on Corporate Social Responsibility less monies recovered from some of the organisations involved.

16 Designated Funds

	At 1 June 2002	Incoming Resources	Outgoing Resources	At 31 May 2003
	£	£	£	£
Benefactor Fund	67,500	-	-	67,500
Johnson & Johnson funding	51,820	6,231	16,314	41,737
CSR Fund	35,000	35,000	43,993	26,007
	154,320	41,231	60,307	135,244

The Benefactor and Johnson & Johnson funds are to be used by SBC for strategic purposes in the achievement of its objectives. The CSR Fund is to be used by SBC to develop corporate social responsibility generally.

17 Analysis of net assets between funds

	General Fund	Designated Fund	Restricted Funds	Total Funds
	£	£	£	£
Tangible fixed assets	17,051	8,094	-	25,145
Cash at bank and in hand	258,652	127,150	95,569	481,371
Other net current liabilities	(71,592)	-	-	(71,592)
	204,111	135,244	95,569	434,924