

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

Annual Report

For the year ended 31 May 2004

Registered Number SC80355
Charity Number CR43853



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Annual Report

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Directors and advisors for the year ended 31 May 2004

Directors

George C Borthwick CBE (Chairman)
The Hon Mark H Laing (Vice-Chairman)
JP Dugdale Bradley
Dr Robert Crawford (resigned as director 26 February 2004)
Brian J Dempsey (resigned as director 30 October 2003)
Gerard JP Eadie (resigned as director 1 September 2003)
John W Elvidge (appointed as director 7 July 2003)
Dominic LC Fry (appointed as director 18 November 2003)
Janet M Hamblin
Michael P Marron
Peter D Nicholson (appointed as director 26 February 2004)
Maureen P O'Neill
Susan Rice
Sir A Muir Russell (resigned as director 4 July 2003)
Jane Scott
Barry E Sealey CBE (resigned as a director 1 September 2003)
David Sibbald (resigned as a director 18 November 2003)

President

HRH The Prince Charles, Duke of Rothesay

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

Scottish Business in the Community

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Directors' report for the year ended 31 May 2004

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.

Mission Statement

"Our mission is to raise the quality and increase the level of involvement of business people and their companies in the economic, social and cultural development of the Scottish community, striving to make that involvement a natural part of successful business practice."

Principal Activities

The principal activity of Scottish Business in the Community (SBC) is to support, broker and challenge organisations to have a positive impact on society. The Company maintains its position as the leading organisation in the expanding field of Corporate Social Responsibility (CSR) in Scotland. SBC conducts its activities as follows:

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 Company is recognised as a charity for tax purposes by the Inland Revenue (CR43853).

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 1.

Organisational Structure

SBC comprises a head office team of fifteen people with a further twenty-five programme managers and co-ordinators, located across Scotland, reporting to the appropriate head office team members. The Chief Executive is responsible to the board of directors for the implementation of SBC strategy and policies as well as general operational matters. Major strategic and operational 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 who might inhibit the Company from pursuing its own separate interests.

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Directors' report for the year ended 31 May 2004 (continued)

Review of the Business

The year under review was one of further significant development for SBC 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 (CSR) is a commercial imperative that builds stronger relationships with customers, employees and wider stakeholders. Membership is also a statement of support to the wider promotion of CSR in Scotland.

This year, following a review of SBC's account management system, a new approach to member acquisition was launched. This review highlighted the requirement to deliver 'value' to member organisations and for the SBC team to perceive service to members as the core of the organisations' activities. New target acquisition and management systems were designed and implemented and a new account management approach adopted. These changes have been well received by the SBC team and have started to produce the required results. The new focus on member acquisition and retention should provide a more secure position from which to grow the total number of active and engaged member organisations. To help achieve the required levels of recruitment and support an Account Relationship Manager was appointed in July 2004.

The eleven new members recruited during the year were Aramark, B Sky B, Brighthouse, Buccleuch Estates, GlaxoSmithKline, John Lewis, McGrigors, Same Deutz-Fahr, Scottish & Southern Energy, WH Smith, Student Loan Company and one member, Abbot, who joined in June 2004. Other companies have agreed to join SBC but have not yet paid their subscription or have expressed a strong interest in membership.

General situation

SBC's position as a leading authority on Corporate Social Responsibility and the lead business organisation promoting CSR as a natural part of successful business practice continues to strengthen. This was clearly demonstrated in June 2004 when over three hundred representatives of member companies, support organisations and local and national policy makers attended SBC's Celebration Dinner. Presentations were made to companies who had demonstrated high levels of excellence in the area of corporate social responsibility under the increasingly recognised Awards for Excellence programme. In addition, guests were shown SBC's new corporate video, introduced by HRH The Prince Charles, Duke of Rothesay and featuring highlights of the year's activities and endorsements from senior business leaders. The video has been very well received and is proving to be a highly effective marketing tool for SBC.

SBC's profile was further enhanced by a number of "Seeing is Believing" visits where senior private sector business leaders were given the opportunity to see organisations involved in, and initiatives aimed at addressing problems identified in communities. Significant amongst the visits carried out was that to Caithness which our President, HRH The Prince Charles, Duke of Rothesay attended. SBC's other programmes, SBC Glasgow and the re-named SBC Network continue to reap success and engage member companies.

A bi-annual SBC newsletter provides an update of all the events and issues relating to SBC's operation and complements the SBC website, the status of which is currently under review.

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Directors' report for the year ended 31 May 2004 (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:

SBC Glasgow

Significant progress was made by SBC Glasgow whose lead project, "Closing The Gap" involves five Glasgow secondary schools linking with private sector companies to work together to reduce the number of young people leaving school with "no destination". The schools, which were selected by the Local Authority, are considered to be poor performers based on the single dimensional measurement of Standard Grade passes.

Twenty six companies are currently involved in Closing The Gap and work with the schools, specifically focusing on employability skills, academic achievement and health awareness in line with the schools' remit.

Working with the senior management team at each of the schools SBC, amongst many other things, has managed to lever in 158 additional work placements and arrange 127 interviews some of which were videoed as a learning tool for the pupils. Fifty pupils attended a healthy eating afternoon and Sodexo ran a 'Can't cook' evening where 40 pupils brought their parents to see basic cookery demonstrations. Laing O'Rourke organised a 'construction awareness' day for 150 second year pupils at Lochend School and a mini construction site was created on the school campus.

'Closing the Gap' is a three year programme and whilst it is too early to measure the long term effectiveness of the outcomes, the enthusiasm of the pupils and staff of the schools involved is very encouraging. The interview videos, which were retained by the schools for ongoing training purposes, were particularly effective as the pupils were quick to identify where their approach could be improved.

SBC Glasgow is involved in numerous other initiatives and is an important presence in the West of Scotland for SBC.

The GlaxoSmithKline Angus & Mearns Economic Development Fund

The GlaxoSmithKline Angus & Mearns Economic Development Fund of £750,000 was launched in the Autumn of 2003 to alleviate the effect of the reduced operation of the Montrose Factory, or in the event of failure to sell it as a going concern, its complete closure. The two main strands totalling £650,000 comprise an Enterprise fund of Start-up Grants, Growth Grants and Skillsladder Grants to promote the start-up and development of small businesses and a Training and Development fund of an Individual Initiative Fund and In To Work Grant to assist individuals to access employment. Over ninety companies have accessed the fund creating over a hundred new jobs. A further £100,000 is providing funding for the Angus Network Group, which is currently developing its potential.

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Directors' report for the year ended 31 May 2004 (continued)

SBC Network

Scottish Business in the Community has developed a network of local groups (formerly called Business Support Groups) to promote private sector engagement with Scotland's communities. The main aim of the SBC Network is to engage companies with their local communities, brokering resources, materials, premises, skills and business know-how to positively impact on these communities. A senior local businessperson chairs each group, with a committee/board from the private sector and public agencies.

Good progress has been made across the SBC Network during the year. The following are the main highlights:

- ❖ **SBC Angus** was established in August 2003 through a partnership between SBC and GlaxoSmithKline, with support from Scottish Enterprise Tayside, Angus Council and individual companies. The group is already having an impact at a local level responding to a variety of requests and projects. The group is also involved in some larger initiatives including Determined to Succeed (the new Scotland-wide initiative aimed at creating a more enterprising culture in our schools), and the Prince's Trust TEAM programme.
- ❖ **SBC Grampian**, established earlier in 2003, has developed strongly since inception and generated over £60,000 of benefit in the year to community and charitable organisations within Aberdeen and Grampian. Amongst a wide range of other activities, it brokered help for a community garden project, assisted with literacy and numeracy initiatives, and arranged a seminar series on key management topics for local community groups.
- ❖ **SBC Lochaber** is also one of the newer groups. Businesses in the area are mainly very small and communities are widely spread, but good progress has been made. An occupational health initiative raised awareness and provided training support to many small companies. Local businesses also helped design and build a skatepark, and provided disabled access to a primary school play area. The group also supported the Awards for Volunteer Endeavour in Lochaber. A Seeing is Believing visit to Lochaber is planned for September 2004.
- ❖ The re-launched groups in **Fife, Midlothian and West Lothian**, financed in partnership by Coalfields Regeneration Trust and other agencies, have also made good progress. A Best Practice Guide is being developed which will include seminars on key topics and specialist support for community groups in each area. In **Fife**, the 'Ethos of Work' programme which introduces schoolchildren to the world of work continues to be a great success and pilots have also been run by other groups. Recycling and the social economy are expanding activities in **Midlothian**, and in **West Lothian** over £60,000 of in-kind support has been generated over the past year.
- ❖ Amongst the longer established groups, the main focus in **Ayrshire** has been the design and development of an accreditation scheme for local businesses to recognise their community involvement and social responsibility. ERDF funding has been secured for this initiative, in partnership with Scottish Enterprise Ayrshire. The group also supports the Modern Apprentice Community Challenge, which encourages apprentices to use their skills to help local communities.
- ❖ **Business Community Connections, Craigmillar and South Edinburgh** have taken on an innovative new role, acting as a broker between the community and major businesses. Taking advantage of the relocation of the New Royal Infirmary of Edinburgh to the Craigmillar area, BCC has opened a retail outlet in the hospital mall and will link over 12,000 staff, visitors and patients at the hospital with the wide variety of businesses and services in the area. With over 100 local traders already on the books, this project is well on the way to making a big impact on the local economy.

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- ❖ The **Dundee Business Support Group** works mainly with communities in the city's Social Inclusion Partnership area. Help was given in a variety of ways: sourcing furniture and equipment, or materials for projects; arranging for lawyers, architects etc. to give advice on issues facing community groups; staging Introduction to Work days and a pilot Ethos of Work session for local schools. In addition, the group administers an access fund of £250,000, which awards grants to local organisations.
- ❖ The **Perth Business Community Support Group** is working with schools and particularly school-leavers. Following a pilot of the School to Work Programme developed by Scottish Power Learning Ltd, funding was secured from the Community Fund to roll out the programme over the next two years. A programme of 'mock' interviews for school-leavers was also carried out to help them prepare to apply for jobs.
- ❖ Funding for additional resource in **SBC North Edinburgh** helped to re-energise the group. More businesses are now part of the network and a range of new initiatives is being developed in response to local need. Much effort has gone into ensuring local people can take advantage of the employment opportunities offered by the new Waterfront development, and school involvement with last year's MTV Awards was also a great success.
- ❖ **SBC West Dunbartonshire** has continued to meet the needs of community projects in the area and to raise awareness of the group. Over 40 companies are actively involved, giving professional advice and support, assisting with company resources, and providing training for project staff. A mentoring scheme is also being created to support project staff and help them to develop stable and sustainable community projects.

Senior Executive Programme (SEP)

SEP utilises 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.

SEP celebrated two major milestones in the course of the year:

- ❖ An award by the Scottish Executive of a further three years' funding for the programme. Funding is needed to manage the programme's ongoing operations and development, and SBC is grateful to the Scottish Executive for this practical expression of its continuing support.
- ❖ The achievement of the magnificent total of 21,000 hours and 200 members in the year to March 2004. It is enormously encouraging that so many people are prepared to give their time so generously for the benefit of the community and voluntary organisations who are our main clients.

As an indication of value-added, the programme contributed over £1 million 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.

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Directors' report for the year ended 31 May 2004 (continued)

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 50% are undertaking the Scottish Qualification for Headship (SQH).

Initial funding from Careers Scotland for 2003/2004 enabled SBC to recruit an ex Head Teacher to manage the programme on a consultancy basis. This was extremely successful in deriving the greatest possible benefit for both the business partners and teachers, allowing SBC to develop the matching process and increase the geographical spread, involving partners as far afield as Ardnamurchan and Caithness. For 2004/2005, SBC are delighted to develop the partnership with Careers Scotland further to jointly deliver the programme to all regions of Scotland.

In all, around 75 partnerships were matched over the year including organisations new to the programme with business partners from ScottishPower, BT, Marsh UK, WH Smith, Student Loans, HBOS, Diageo and John Lewis. These partnerships have delivered in the region of 1,000 hours of programme activity.

Development Assignment Programme (DAP)

The DAP programme provides employees with tailored development through the completion of a structured 100 hour secondment in a community organisation. Marks & Spencer engaged in the programme for a second year, following the success of 2003 participants. Section Managers and Advisors from their stores across Scotland completed the 100 hour secondments in a variety of voluntary and community groups, delivering over 1,000 hours of programme activity.

The voluntary organisations that benefited were Wood Recyclability Ltd, Nisus Scotland, Contact the Elderly, The PBC Foundation, BRAG Enterprises, Castlemilk Youth Complex, Creative Community Crafts, Parkhead Citizens' Advice Bureau and Drymen Community Development Trust.

Marks & Spencer also jointly hosted an event with SBC to create awareness of the programme amongst SBC member organisations, which resulted in interest from two other member organisations who are hoping to participate in the programme over 2004/2005.

Cares

The Cares programme was introduced in May 2003 and represents a new approach to employee volunteering. Although the programme is still seeking pump priming funding, a service for members to engage in Team Challenges is now available on a needs basis. Cares is expected to reach nearly 400 employee supported volunteers and deliver 3,100 hours of programme activity by the end of 2004. Impact to date has focused on Edinburgh & Lothians, Fife and Greater Glasgow. HBOS Plc has been the major participant in 2004, as well as Oracle, Prudential and PricewaterhouseCoopers.

SBC continues to develop the service with members to offer a wider range of opportunities for employees to use their business skills and resource to work in partnership with their local community.

The programme is set to increase its impact across Scotland, provided SBC can source funding to provide start up support in other regions.

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The Professional Firms Network

The Professional Firms Network provides free advice and services to community organisations, through pro bono support.

The Network has delivered 40 projects at an estimated value of £90,000, and 25 professionals have helped community projects improve the quality of life in their local area.

A Plan is being developed for the Network to expand and develop by becoming part of the UK ProHelp Network. ProHelp Scotland will be launched in November 2005.

Small Business Consortium

The Small Business Consortium is a UK wide partnership of business support organisations that aims to raise the competitiveness of small and medium sized businesses through improving their social, environmental and community impact. SBC has worked with other member organisations, including the Federation of Small Business and Business in the Community, to develop 20 briefings and a web site www.smallbusinessjourney.co.uk, which was launched in July 2004. The briefings will, where possible, signpost to SBC initiatives including Community Mark and the Network. SBC will continue to develop the outputs of the Consortium for the market in Scotland, including signposting and sector specific case studies. New initiatives will include the development of training and coaching modules for business advisors.

SME CSR Healthcheck

The Small Business CSR Healthcheck was developed and piloted. It is designed to be an active document to support small businesses in their CSR activity. The Healthcheck is being developed as an online resource and will be launched in 2005.

CommunityMark

CommunityMark is a national standard and process to develop and recognise a business's involvement in the local community. The initiative is being rolled out in England and SBC has secured funds from Scottish Enterprise to pilot CommunityMark in Scotland. A manager was hired in Summer 2004, and a pilot plan and targets will be developed by October for a launch in November.

Awards for Excellence

In its second year, the Awards for Excellence has already established itself as a key programme for SBC. Applications increased by 35% in 2004, and 50 businesses participated in two workshops, with many receiving individual and tailored support from SBC. The rigorous application process is being recognised as a business tool for auditing and developing society impacts. BP was awarded the SBC Large Business of the Year Award, and Simmer's of Edinburgh is Small Business of the Year. The first of what will be an annual SBC Celebration Dinner was held in June 2004.

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Directors' report for the year ended 31 May 2004 (continued)

Members' Forum

The Members' Forum, a business-led forum, is a service provided by SBC exclusively to its members. The aim of the Forum is to provide networking opportunities, 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. A different SBC member company hosts each meeting, and decides on the topic and speaker with administrative support provided by SBC. Topics explored in 2003/2004 have included:

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

Business Breakfast Series 2003/2004

In June 2003, Ian Russell, Chief Executive for ScottishPower was appointed as Scotland's first HRH Ambassador for CSR in Scotland. Over the course of three Breakfast Forums in Edinburgh, Dundee and Glasgow, 43 business leaders participated in discussions about defining the challenge of CSR, the importance of values-based leadership and delivering CSR. The Series was deemed to be a huge success and our thanks are extended to Ian Russell for his leadership in this role. Graeme Dalziel, Chief Executive of Dunfermline Building Society took over the role of HRH Ambassador for CSR in Scotland from June 2004.

Rural Programme

SBC's Rural Programme is led by a steering group of 14 organisations. Chaired by Mark Laing of Simmer's of Edinburgh, the group includes RoyalMail, ScottishPower, BT Scotland, Scottish Enterprise Borders, Buccleuch Group, Scottish Water, VisitScotland, Sainsbury's, Scottish Grocers' Federation, Southern Uplands Partnership and Diageo. The programme focuses on Seeing is Believing visits in rural locations; issues surrounding affordable housing and local sourcing and procurement. SBC is supporting Holyrood Conferences and Events in producing a conference in November on 'Sustainable Communities'.

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Directors' report for the year ended 31 May 2004 (continued)

Seeing is Believing

The Seeing is Believing programme takes groups of senior business leaders into the community to see at first hand the challenges these communities face. It is a highly successful programme in connecting businesses with their communities and brings significant benefits to both parties.

❖ South Lanarkshire:

On June 11th 2003, there was a Seeing is Believing visit to South Lanarkshire. Our President, HRH The Prince Charles, Duke of Rothesay joined the visit at the first location, Rigside Primary school, where he spent time with the pupils and teachers and met representatives of the Healthy Valleys initiative. The group also visited a peer- befriending project, Covey, in Lanark and Clyde Community Initiatives who have since developed a community garden with significant assistance from the attending businesses.

❖ Aberdeenshire:

On September 3rd, 2003, 14 senior business leaders participated in a Seeing is Believing visit to Aberdeen, Fraserburgh and Peterhead. Subsequently, Fraserburgh Heritage Centre and Fraserburgh Youth Arts Society have received considerable assistance from the attending businesses. Many of the businesses have developed relationships with the projects which are still ongoing.

❖ Glasgow:

Seeing is Believing focused on the issue of employability for its visit on October 9th 2003 to Glasgow. The group visited Flourish House, a social enterprise company; Saint Roch's Primary School as part of the Closing the Gap programme and The Bambury Regeneration Centre which provides numerous services to the local community. Again, the businesses responded very positively and have continued to assist where appropriate.

❖ Caithness:

Ten senior business leaders took part in a Seeing is Believing visit to Caithness on April 20th and 21st this year. The group initially spent time at the Pultneytown People's Project and at South Primary School, both in a very deprived part of Wick where social and economic problems are rife and debilitating. On the second day of the visit, the group was joined by HRH The Prince Charles, Duke of Rothesay and visited two farms looking at issues surrounding branding and food to market.

Planning is underway for a Seeing is Believing visit in September to Lochaber focusing on 'Lochaber as Scotland's outdoor capital' and another to Glasgow looking at employability. Early next year there is a visit planned to Angus.

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Directors' report for the year ended 31 May 2004 (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. 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 (estimated to be around £250,000), 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 major risks to which the charity is 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, GlaxoSmithKline, Oracle, Marks & Spencer, BT Scotland, Highland Primary Care NHS Trust, Lochaber Enterprise, Aberdeen City Council, Coalfields Regeneration Trust, ScottishPower, The Boots Company, Richmond Homes, Scotmid, Tesco, Lloyds TSB Scotland and Strathvale Holdings. 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 £230,000 was also received during the year and included major contributions of:

- ❖ Seconded personnel from The Scottish Executive, Scottish Enterprise Lanarkshire, Job Centre Plus and GlaxoSmithKline;
- ❖ Accommodation from Ethicon, Voluntary Organisations North East Fife, Stirling Enterprise;
- ❖ Legal, audit and accountancy services from Brodies Solicitors, PricewaterhouseCoopers LLP and Baker Tilly.

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 2004 (continued)

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

Abbot Group
Aberdeen City Council
Alcan Primary Metal Europe
Angus Council
Aramark
Automobile Association
Ayrshire Chamber of Commerce & Industry
BAA Scotland
BAE Systems
BP Amoco
Brighthouse
B Sky B
BT Scotland plc
Baker Tilly
Bank of Scotland
The Boots Company
British Airways Scotland
British Energy
Brodies WS
Buccleuch Group
Calor Gas
Camelot
Ernst & Young
Cisco Systems
Clydesdale Bank plc
Coalfields Regeneration Trust
Communities Scotland
The Community Fund
DB Technologies Ltd
Deutsche Bank
Diageo Scotland Ltd
Dundee City Council
Dundee & Tayside Chamber of Commerce & Industry
Dunfermline Building Society
Edinburgh Fund Managers
Equal Partnership
Ernst & Young
Ethicon Ltd
European Regional Development Fund
Fife Council
First Group
GlaxoSmithKline
Greggs
HSBC plc
Hilton Hotel Glasgow
Insider Publications
Job Centre Plus
Johnston Press plc
KPMG LLP
Kwik-Fit Holdings Ltd
The Lennox Partnership
Levi Strauss
Lloyds TSB Scotland plc
Lochaber Enterprise
McGrigors
Macdonald Hotel Group
McSence Ltd
Marks & Spencer plc

John Lewis
Marsh UK Ltd
Midlothian Council
Morgan Stanley
Motorola
Norwich Union
Oracle
Perth & Kinross Council
Pfizer
Pillans & Waddies
PricewaterhouseCoopers LLP
Prudential Corporation plc
Richmond Homes
Royal Bank of Scotland plc
Royal Mail
SCVO
Sainsburys plc
Same Deutz-Fahr
Scotmid
Scottish & Southern Energy
Scottish Borders Council
Scottish Brewers
Scottish Enterprise Ayrshire
Scottish Enterprise Dunbartonshire
Scottish Enterprise Edinburgh and Lothians
Scottish Enterprise Fife
Scottish Enterprise Glasgow
Scottish Enterprise Grampian
Scottish Enterprise Lanarkshire
Scottish Enterprise Network
Scottish Enterprise Renfrewshire
Scottish Enterprise Tayside
Scottish Executive
Scottish Gas
ScottishPower
Scottish Water
Scottish Widows
Shell UK Ltd
Simmers of Edinburgh
CR Smith (Glaziers) Ltd
WH Smith
Sodexo
Spectraglass
Standard Life Assurance Company
Strathvale Holdings Ltd
Student Loan Company
Tesco plc
DC Thomson & Co Ltd
The Townhouse Company
Thus
Transco
Volunteer Development Scotland
Weir Group
West Dunbartonshire Partnership
West Lothian Council
Whitbread plc
Wood Group Management Services Ltd

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Directors' report for the year ended 31 May 2004 (continued)

Guarantors

The liability of each of the guarantors in the event of a winding up is limited to £5. At 31 May 2004 there were 68 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 2004. 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

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 2004

Scottish Business in the Community

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

We have audited the financial statements that comprise 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.

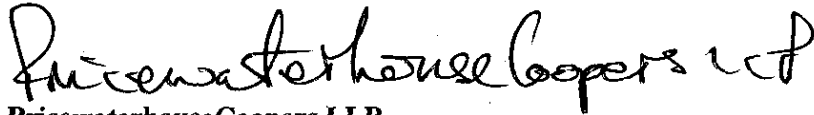
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or by other irregularity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

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

**Independent auditors' report to the members of Scottish
Business in the Community (continued)**

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 2004 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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
22 October 2004

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 2004)

	Notes	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	Total 2004 £	Total 2003 £
Incoming Resources						
Activities in furtherance of the charity's objects:						
Subscriptions - Full		-	207,117	-	207,117	201,701
Subscription - Associate		-	3,000	-	3,000	1,500
Grants Received		1,190,169	15,976	40,459	1,246,604	339,345
Programme Income		15,050	-	-	15,050	13,340
Other Income		6,000	363	-	6,363	4,178
Cares		2,015	-	-	2,015	-
Activities for generating funds:						
Sponsorship		62,831	13,293	-	76,124	76,691
Bank interest		15,925	13,913	-	29,838	10,107
Total incoming resources	1	1,291,990	253,662	40,459	1,586,111	646,862
Resources Expended						
Cost of generating funds	2(a)	10,509	45,462	19,929	75,900	54,739
Cost of activities in furtherance of the charity's objects	2(b)	496,248	67,742	27,555	591,545	347,761
Management and administration	3	-	111,375	-	111,375	132,812
Total resources expended		506,757	224,579	47,484	778,820	535,312
Net income/(expenditure) before transfers –net movement in funds						
Transfers	5	785,233	29,083	(7,025)	807,291	111,550
		(4,112)	4,112	-	-	-
Funds brought forward at 1 June		95,569	204,111	135,244	434,924	323,374
Funds balance carried forward at 31 May		876,690	237,306	128,219	1,242,215	434,924

The Charitable 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.

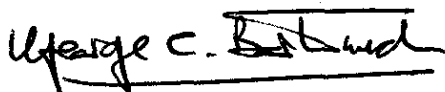
All of the above relate to continuing activities.

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

Balance sheet as at 31 May 2004

	Notes	2004 £	2003 £
Fixed Assets			
Tangible assets	7	29,949	25,145
Current Assets			
Debtors	8	50,272	7,538
Stock	9	200	200
Cash at bank and in hand		1,238,940	481,371
		1,289,412	489,109
Creditors – amounts falling due within one year	10	77,146	79,330
Net current assets		1,212,266	409,779
Total assets less current liabilities		1,242,215	434,924
Net assets		1,242,215	434,924
Representing:			
Unrestricted funds	13	365,525	339,355
Restricted funds	13	876,690	95,569
	13	1,242,215	434,924

The financial statements on pages 16 to 28 were approved and signed on behalf of the Board of Directors on 22 October 2004 by:



George C Borthwick CBE
Chairman

Scottish Business in the Community

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 May 2004

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	20% - 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.

Scottish Business in the Community
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Notes to the financial statements for the year ended 31 May 2004

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 £	2004 Total £	2003 Total £
Member Recruitment CSR Events, Publicity and Rural Affairs	10,509	45,462	19,929	75,900	54,739
Salaries	-	40,832	18,363	59,195	32,153
Events	10,509	-	-	10,509	15,950
Travel and Subsistence	-	4,630	-	4,630	3,000
Other	-	-	1,566	1,566	3,636
	10,509	45,462	19,929	75,900	54,739

Scottish Business in the Community
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Notes to the financial statements for the year ended 31 May 2004

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

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2004 Total £	2003 Total £
SBC Network Groups	174,261	26,068	-	200,329	130,960
Senior Executive Programme	93,441	-	-	93,441	94,336
Development Assignment Programme	10,951	655	-	11,606	1,764
Partners in Leadership	19,346	-	-	19,346	1,856
Professional Firms Network	26,132	-	-	26,132	33,342
Glasgow Project	33,515	12,971	-	46,486	30,764
CSR Events, Publicity & Rural Affairs	1,765	8,227	27,555	37,547	54,739
Awards for Excellence	31,806	-	-	31,806	-
GlaxoSmithKline – Economic Development Fund	61,932	-	-	61,932	-
Cares	2,015	2,238	-	4,253	-
Research/SMEs	10,000	4,197	-	14,197	-
Diversity	3,000	807	-	3,807	-
Celebration Dinner	19,015	-	-	19,015	-
Ready for Work/Business Action on Homelessness	9,069	4,803	-	13,872	-
Community Mark	-	4,776	-	4,776	-
Programme Purchase	-	3,000	-	3,000	-
	496,248	67,742	27,555	591,545	347,761

Scottish Business in the Community
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Notes to the financial statements for the year ended 31 May 2004

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

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2004 Total £	2003 Total £
Salaries	266,373	54,640	8,621	329,644	174,575
Consultancy	54,147	1,632	8,028	63,807	37,340
Honoraria	26,950	-	-	26,950	20,725
Events	32,727	634	-	33,361	37,628
Travel and Subsistence	21,548	2,066	1,778	25,392	25,186
Office services	6,388	1,700	-	8,088	8,334
Grants Paid	54,431	-	-	54,421	-
Rent and Rates	6,355	670	-	7,025	3,989
Printing and Publicity	6,458	1,472	-	7,930	7049
Telephone	5,793	1,111	656	7,560	6,368
Other	15,078	3,817	8,472	27,367	26,567
	496,248	67,742	27,555	591,545	347,761

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

Notes to the financial statements for the year ended 31 May 2004

3 Management and administration

	2004 £	2003 £
Depreciation	3,440	1,068
Office Service Costs	12,278	11,501
Pension Contributions	14,379	8,316
Postage and Stationery	3,402	1,436
Printing and Publicity	6,514	609
Professional Fees	13,657	2,535
Publications and Newspapers	430	186
Events	2,805	-
Salaries	32,833	99,315
Sundry Office and Administration Expenses	1,278	880
Telephone	4,922	3,180
Training	4,032	2,603
Travel and Subsistence	8,715	1,183
Motor Expenses	2,690	-
	111,375	132,812

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.

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

Notes to the financial statements for the year ended 31 May 2004

5 Surplus for the year

The surplus for the year is stated after charging

	2004 £	2003 £
Hire of office equipment – operating leases	80	1,613
Depreciation of fixed assets	14,494	12,813
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.

6 Employee information

The average number of persons excluding directors directly employed by the company is analysed below:

	2004 Number	2003 Number
Programme managers (e)	10	7
Administration	6	6
	16	13
	2004 £	2003 £
Company employment costs:		
Gross wages	381,815	280,537
Employer's national insurance contributions	39,857	25,506
Pension contributions (b)	14,379	8,316
	436,051	314,359

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

Notes to the financial statements for the year ended 31 May 2004

6 Employee information (continued)

- (a) There is one employee in receipt of total remuneration between £50,000 and £60,000 (2003: One).
- (b) 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 £14,379 (2003 £8,316).
- (c) No remuneration or expenses are paid to directors.
- (d) In addition to the paid employees noted above, SBC had the support during the year of three persons on secondment from other organisations.
- (e) The increase in programme manager numbers and salary costs is significantly the employment of paid programme managers replacing consultants and seconded persons.

7 Fixed assets

	Office Equipment £	Office Fittings £	Motor Vehicles £	Total £
Cost				
At 31 May 2003	62,536	11,533	-	74,069
Additions	2,689	-	16,609	19,298
At 31 May 2004	65,225	11,533	16,609	93,367
Depreciation				
At 31 May 2003	42,897	6,027	-	48,924
Charge for year	11,210	1,884	1,400	14,494
At 31 May 2004	54,107	7,911	1,400	63,418
Net book value				
At 31 May 2004	11,118	3,622	15,209	29,949
Net book value				
At 31 May 2003	19,639	5,506	-	25,145

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

Notes to the financial statements for the year ended 31 May 2004

8 Debtors

Amounts falling due within one year:

	2004 £	2003 £
Sundry debtors	6,593	3,751
Prepayments and accrued income	5,670	3,787
Advances for Angus & Mearns Economic Development Fund	38,009	-
	50,272	7,538

9 Stock

	2004 £	2003 £
Consumables	200	200

10 Creditors

Amounts falling due within one year:

	2004 £	2003 £
Other taxation and social security	13,579	10,900
VAT	26,985	13,994
Sundry creditors	8,477	9,792
Accruals and deferred income	28,105	44,644
	77,146	79,330

11 Financial commitments

As at 31 May 2004 the company had no annual commitments under non-cancellable operating leases.

Scottish Business in the Community

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 May 2004

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 £370,760 (2003: £250,815). There are no costs incurred with related parties (2003: £nil). Benefits in kind from such related parties totalled £79,400 (2003: £84,160).

13 Movements of funds

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2004 Total £
Opening balance	95,569	204,111	135,244	434,924
Movement during year	781,121	33,195	(7,025)	807,291
Balance at 31 May				
2004	876,690	237,306	128,219	1,242,215

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 notes 15 and 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)

Notes to the financial statements for the year ended 31 May 2004

15 Restricted funds

	At 1 June 2003 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 May 2004 £	Notes
Business Support Groups	44,925	304,887	174,261	-	175,551	(1)
Senior Executive Programme	15,584	95,000	93,441	-	17,143	
Development Assignments	3,451	7,500	10,951	-	-	
Events	429	-	429	-	-	
Partners in Leadership	-	35,000	19,346	-	15,654	
Professional Firms Network	4,706	25,000	26,132	-	3,574	
Glasgow Project	5,398	28,117	33,515	-	-	
Awards For Excellence	11,806	25,000	31,806	-	5,000	
Challenge Fund	5,858	-	-	(4,112)	1,746	
GSK – Main Fund	-	684,850	61,932	-	622,918	
Diversity	-	3,000	3,000	-	-	
Cares	-	2,015	2,015	-	-	
Rural	-	2,735	1,336	-	1,399	
Business Action Against Homelessness	-	9,069	9,069	-	-	
CSR Benchmarking	-	10,000	6,295	-	3,705	
Celebration Dinner	-	49,015	19,015	-	30,000	(2)
Seeing is Believing	-	10,509	10,509	-	-	
SME CSR Healthcheck	3,412	293	3,705	-	-	
	95,569	1,291,990	506,757	(4,112)	876,690	

Business Support Groups, Glasgow Project, Senior Executive Programme, CSR Benchmarking and Healthcheck and Professional Firms Network funds relate to cash support received from sources such as Scottish Executive, Scottish Enterprise, DB Technologies and local authorities to be used to cover the running costs of the programmes.

Development Assignments, Business Action against Homelessness, Cares, and Partners in Leadership comprises 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 and Seeing is Believing visits less monies recovered from some of the organisations involved.

GSK (GlaxoSmith Kline) Economic Development Fund was set up to alleviate the effects to the local community of the closure/partial closure of GSK's Montrose Factory. The fund is expected to run for about 3 years.

Note (1) Includes GSK fund for Angus Network Group, £93,000 as at 31 May 2004 being the balance of the £100,000 received during the year.

Note (2) Reflects the value of income received during the year carried forward to cover the Celebration Dinner costs incurred in June 2004.

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

Notes to the financial statements for the year ended 31 May 2004

16 Designated Funds

	At 1 June 2003 £	Incoming Resources £	Outgoing Resources £	At 31 May 2004 £
Benefactor Fund	67,500	-	1,566	65,934
Johnson & Johnson funding	41,737	5,459	7,001	40,195
CSR Fund	26,007	35,000	38,917	22,090
	135,244	40,459	47,484	128,219

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 Funds £	Restricted Funds £	Total Funds £
Tangible fixed assets	29,949	-	-	29,949
Cash at bank and in hand	234,031	128,219	876,690	1,238,940
Other net current liabilities	(26,674)	-	-	(26,674)
	237,306	128,219	876,690	1,242,215