

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

Annual Report

For the year ended 31 May 2006

Registered Number SC80355
Charity Number CR43853



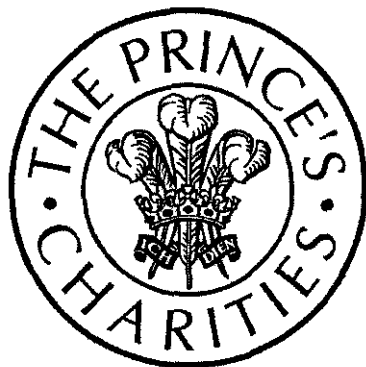
Scottish Business in the Community
(A company limited by guarantee)

Annual Report

For the year ended 31 May 2006

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Scottish Business in the Community is part of The Prince's Charities Group 'The Prince's Charities' is a group of not for profit organisations of which The Prince of Wales is President, 15 of the 17 Charities were founded personally by The Prince

The group is the largest multi cause charitable enterprise in the United Kingdom, raising over £100 million annually The organisations are active across a broad range of areas including, opportunity and enterprise, education, health, the built environment, responsible business, the natural environment and the arts

The charities reflect The Prince of Wales's long term and innovative perspective, and seek to address areas of previously unmet need

RESPONSIBLE BUSINESS AND THE NATURAL ENVIRONMENT

Business in the Community	www bitc org uk
Scottish Business in the Community	www sbcscot com
The Prince of Wales International Business Leaders Forum	www iblf org
The Prince of Wales's Business & The Environment Programme	www cpi cam ac uk/bep
In Kind Direct	www inkinddirect org

OPPORTUNITY AND ENTERPRISE

The Prince's Trust	www princes trust org uk
The Prince's Scottish Youth Business Trust	www psybt org uk
PRIME	www primeinitiative org uk
PRIME Cymru	www prime cymru co uk

EDUCATION

The Prince's Drawing School	www princesdrawingschool org
The Prince's School of Traditional Arts	www princesschooltraditionalarts org

HEALTH

The Prince of Wales's Foundation for Integrated Health	www fihealth org
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THE BUILT ENVIRONMENT

The Prince's Foundation for the Built Environment	www princes foundation org
The Prince's Regeneration Trust	www princes regeneration org
In Kind Direct	www inkinddirect org

THE ARTS

Arts & Business	www aandb org uk
The Prince of Wales Arts & Kids Foundation	www artsandkids org uk

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

Directors' report for the year ended 31 May 2006

The Directors have pleasure in submitting the audited financial statements for the year ended 31 March 2006

Directors and advisors

Directors

George C Borthwick CBE (Chairman)
The Hon Mark H Laing (Vice Chairman)
JP Dugdale Bradley
Brendan Dick (appointed 7 September 2006)
Terence Currie
Sir John W Elvidge
Dominic LC Fry (resigned 25 October 2005)
James Gaffney
Stephen Gold
Janet M Hamblin
Peter D Nicholson
Maureen P O'Neill (resigned 16 November 2005)
Susan Rice CBE
Jane Wood

President

HRH The Prince Charles, Duke of Rothesay

Chief Executive

Samantha Barber

Secretary and registered office

James A Graham
Livingstone House
43A Discovery Terrace
Heriot Watt University Research Park
Edinburgh
EH14 4HE

Auditors

PKF (UK) LLP
17 Rothesay Place
Edinburgh
EH3 7SQ

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 2006 (continued)

Structure, Governance and Management

Scottish Business in the Community (SBC) is a charitable company limited by guarantee, incorporated on 11 October 1982 and originally registered as a charity on 26 December 1988. The company was established under a Memorandum of Association which set out the objects and powers of the company and it is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £5. At 31 May 2006 there were 60 guarantors in the register of members.

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

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 March 2005.

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.

The induction and training of directors includes the provision to them of copies of the SBC annual report and accounts, annual review, three year business plan, budget and risk assessment schedules. In addition, an understanding of SBC's operation is provided through a visit to SBC's office, presentations by SBC team members at board meetings and 'away days' as well as by director involvement in leadership groups and board sub-committees.

Organisational Structure

SBC comprises a head office team of fifteen people with a further eighteen 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 over which she has decision making control. 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.

Scottish Business in the Community

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Directors' report for the year ended 31 May 2006 (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, we are committed to retain sufficient reserves for a minimum of six months working capital (£220k). Currently the reserves represent 2 months working capital. The Board are also committed to ensuring that effective control and monitoring procedures are continuously maintained.

The major risks to which the charity is exposed, as identified by the Board members, have been reviewed and systems established to mitigate them. These risks and emerging risks are monitored and reviewed quarterly by the senior management team with an annual review by the board.

Objectives and Activities

Mission Statement

To support, broker and challenge businesses to continually improve their positive impact on society to ensure a successful, sustainable economy. In doing so, we aim for Scotland to be the example of excellence in Corporate Responsibility.

To achieve this we must be

- ❖ a confident organisation that inspires, leads and innovates by sharing, learning and experience through strong and stable partnerships
- ❖ an employer of choice for existing and future staff
- ❖ an organisation with a strong and stable membership base as well as secure and sustainable funding

Operational Highlights

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

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 impact is achieved by the provision of initiatives and programmes aimed at improving the employability, education, health and environment of persons whose access to such facilities is currently limited. The Company strives to maintain its position as the leading organisation in the expanding field of Corporate Social Responsibility (CSR) in Scotland.

Supporting – through its account management system, SBC offers all member companies a structured method of engagement in CSR and support to maximise the benefits both to the community and the member.

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.

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Directors' report for the year ended 31 May 2006 (continued)

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

The main programmes and initiatives are outlined below

Supporting

Membership

A structured and effective approach to Account Management is a key imperative for ensuring consistent and sustainable relationships with member organisations. SBC had a total of 72 members at the end of May 2006

GlaxoSmithKline Angus & Mearns Economic Development Fund

The fund, set up in 2003 to alleviate the effects of the closure of the GSK Montrose factory by providing business start up, growth and skill increasing grants is administered by SBC. The fund monies are expected to be exhausted by March 2007. As at 31 May 2006 the actual businesses assisted (178) and jobs created (214) exceeded the targets of (129) and (174) respectively

Brokering

A number of vehicles are used to achieve this and they focus on four broad areas: education, employability, health and general community issues, such as environment, health and drugs abuse

Education

- ❖ During the year, 9 schools in Glasgow were involved with 46 business representatives supporting 1800 pupils to reduce the number of young people leaving school with 'no destination', through the SBC 'Closing the Gap' programme
- ❖ Three local authorities engaged with 9 companies and 148 volunteers to improve numeracy skills of pupils at 14 schools, through SBC's 'Numbers Partners'
- ❖ Around 160 pupils in the Mid Lothian and Fife engaged in SBC's 'Work Experience' and 'Ethos for Work' involving 5 schools and 36 companies

It is planned to increase the number of companies involved in these activities

Employability & Health

- ❖ 80 participants and 21 businesses took part in the SBC 'Ready for Work' programme, surpassing the target numbers for the year, with 69% of participants going into work. It is planned to maintain these numbers in the coming year
- ❖ SBC in partnership with the Scottish Executive, the new Scottish Centre for Healthy Working Lives and businesses is working to develop and promote best practice in employability & health. Inclusive and sustained employment has been promoted to hundreds of employers through approximately 15 events, 10 publications and other media options including the new Shaw Awards

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

Directors' report for the year ended 31 May 2006 (continued)

General Community

- ❖ Over 300 projects were supported through the Senior Executive Programme Volunteering Initiative whose member numbers increased to 225 in line with the planned objective
- ❖ Fifteen organisations were assisted with pro bono advice through the 'Professional Firms Network'
- ❖ Employee volunteering promoted through 'Team Challenge' programme saw 31 challenges completed by 484 volunteers from 4 companies

Challenging

UK awards for Excellence and SBC Company of the Year Awards:

- ❖ 32 entries were received, with 19 UK Big Tick winners KPMG were SBC company of the year whilst Haven Products won the small company of the year award

The Awards will continue in the same format and we anticipate a similar level of participants in the coming year

Training Services:

SBC offers training based on its CSR knowledge base Two projects were completed

- ❖ Development of a CSR Module for the Scottish Enterprise Business Advisors
- ❖ Outward Focus training for 35 Scottish Executive fast track employees

SBC plan to extend this type of service

Seeing is Believing:

The programme takes groups of senior business leaders into the community to see at first hand the challenges these communities face

- ❖ **Poundbury, Dorset** – led by Ed Taylor, Prince's Foundation for the Built Environment with a total of 8 participants
- ❖ **Glasgow** – led by Brendon Dick, General Manager, BT with a total of 8 participants and 3 projects assisted
- ❖ **Dumfries & Galloway** – led by Alan Alexander, Chairman, Scottish Water with a total of 8 participants and 3 projects assisted
- ❖ **Aberdeen** – a Seeing is Believing Breakfast led by Susan Rice with 13 participants at the breakfast, 8 on the visit and 1 project assisted

Promotion of Best Practice

- ❖ Through the SBC programme 'Small Business Counts', Scottish best practice has been promoted at 15 events throughout Scotland contacting approximately 500 business representatives
- ❖ 5 businesses have attained the CommunityMark accreditation with a further 7 signing to achieve within two years

Next year our aim is for 10 businesses to attain CommunityMark

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

Directors' report for the year ended 31 May 2006 (continued)

Prince's Ambassador for CSR

- ❖ In June 2005, Susan Rice CBE, Chief Executive, Lloyds TSB Scotland was appointed for the year as SBC HRH (now The Prince's) Ambassador for CSR in Scotland. Over the course of one media evening in Edinburgh and three Breakfast Forums in Glasgow and Edinburgh, 52 business, public sector and media leaders participated in discussions about 'Scotland as a global player in CSR'.

Event Activity

A total of 22 major events were delivered during the year under review

4 x HRH Ambassador Events	4 x Seeing is Believing Events
2 x Awards for Excellence Workshops	The SBC Celebration Dinner
2 x Members Forums	The SBC AGM 2005
5 x Joint Events	3 x Programme Specific Events

The total attendance at the events delivered during the year excluding SBC staff was 1274

Achievements and Performance

The last business plan 2005/06 saw a restructure of the impact areas of SBC around Employability, Education, Health and Environment. This has provided a solid structure around which to base company impact through Corporate Responsibility. Events and programmes have ensured that the above themes run through them resulting in increased company participation especially around the education and employability agendas.

Plans for the Future

Moving forward in this financial year we aim to build on the programme results delivered to extend the capacity to a wider reach across Scotland. This will enable more capacity for a stronger SBC network and provide a framework to attract additional financial resource available through community planning.

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 until SBC's move to their new location in January 2006. 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, Communities Scotland, The Home Office, Equal Partnership, Careers Scotland, West Lothian Council, GlaxoSmithKline, Glasgow City Council, Oracle, Marks & Spencer, BT Scotland, Aberdeen City Council, Coalfields Regeneration Trust, ScottishPower, The Boots Company, Scotmid, Tesco and Lloyds TSB Scotland. This funding has been vital in the development of SBC's programmes and special projects.

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Directors' report for the year ended 31 May 2006 (continued)

Benefit In kind support for the Company's administration and operating costs, valued at a conservative £165,000 was also received during the year and included major contributions of

- ❖ Seconded personnel from The Scottish Executive, The Home Office and Job Centre Plus
- ❖ Accommodation from Ethicon Ltd, Angus Council, Voluntary Organisations North East Fife, Stirling Enterprise and Hansel Village,
- ❖ Legal, audit and accountancy services from Brodies Solicitors, PricewaterhouseCoopers LLP and Baker Tilly

Changes in Fixed Assets

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

Auditors

It is the directors' assessment that there is no relevant audit information which the auditors have not been made aware of and they have taken all necessary steps to ensure that the auditors have been made aware of all relevant audit information

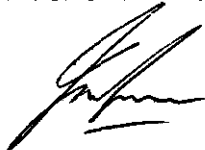
The auditors, PricewaterhouseCoopers LLP, resigned effective from the date of the Annual General Meeting 16 November 2005. The directors would like to extend their sincere thanks for the excellent pro bono support given to SBC by PricewaterhouseCoopers LLP over a period of many years as auditors. We are pleased to advise that our new auditors are PKF (UK) LLP and that an engagement letter was signed off on 31 May 2006.

PKF (UK) LLP is eligible for re appointment as auditor to the company and a resolution proposing its re appointment will be proposed at the AGM.

Basis of preparation

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to Small Companies.

By order of the Board



James A Graham
Secretary

25 OCTOBER 2006

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH BUSINESS IN THE COMMUNITY FOR THE YEAR ENDED 31 MAY 2006

We have audited the financial statements of Scottish Business in the Community for the year ended 31 May 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Handwritten signature of PKF (UK) LLP.

30 October 2006

PKF (UK) LLP
Registered Auditors
EDINBURGH, UK

Scottish Business in the Community
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Statement of Financial Activities
(incorporating the Income and Expenditure Account)
for the year ended 31 May 2006

	Notes	Restricted Funds	Unrestricted Funds General	Unrestricted Funds Designated	Total 2006	As restated (note 18) Total 2005
Incoming resources						
Incoming resources from generating funds						
Investment income		15,211	24,745		39,956	47,139
Voluntary income	4		165,350		165,350	211,700
Income resources from charitable activities						
Supporting, brokering and challenging		624,524	276,090		900,614	898,406
Total incoming resources		639,735	466,185		1,105,920	1,157,245
Resources expended						
Cost of generating funds						
Cost of generating voluntary income			165,350		165,350	211,700
Charitable activities						
Supporting, brokering and challenging	2/4	806,464	334,760	15,639	1,156,863	1,085,500
Governance Costs	4		17,554		17,554	13,681
		806,464	517,664	15,639	1,339,767	1,310,881
Net outgoing resources before transfers		(166,729)	(51,479)	(15,639)	(233,847)	(153,636)
Transfers	13	(41,169)	41,169			
Net movement in funds		(207,898)	(10,310)	(15,639)	(233,847)	(153,636)
Funds at 1 June 2005 as previously reported		729,979	253,354	112,909	1,096,242	1,242,215
Prior year adjustment	18	-	(120,653)		(120,653)	(112,990)
Funds at 31 May 2006		522,081	122,391	97,270	741,742	975,589

The Charity Company has no recognised gains or losses other than the deficit above and therefore no separate statement of total recognised gains and losses has been presented

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

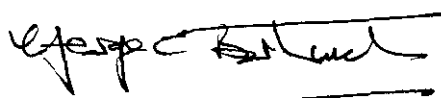
All the above relates to continuing activities

Scottish Business in the Community
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Balance Sheet as at 31 May 2006

	Notes	2006 £	As restated (note 18) 2005 £
Fixed Assets			
Tangible assets	7	60,193	40,471
Current Assets			
Debtors	8	86,913	75,023
Stock	9	200	200
Cash at bank and in hand		825,972	1,108,542
Creditors amounts falling due within one year	10	231,536	248,647
Net current assets		681,549	935,118
Total assets less current liabilities		741,742	975,589
Net assets		741,742	975,589
Representing:			
Unrestricted funds	13	122,391	132,701
Designated funds	13	97,270	112,909
Restricted funds	13	522,081	729,979
	13	741,742	975,589

The financial statements on pages 12 to 25 were approved and signed on behalf of The Board of Directors on 25 October 2006 by



George Borthwick CBE
Chairman

Scottish Business in the Community

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Notes to financial statements for the year ended 31 May 2006

1 Principal Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (revised 2005) "Accounting and Reporting by Charities" and the Financial Reporting Standard for Smaller Entities (effective January 2005)

Membership subscriptions

Subscription income is accounted for over the period to which the subscription relates. This represents a change to previous years when subscription income was recognised on receipt. It is now considered that subscription offers members a service from SBC and therefore under SORP 2005 this treatment is more correct. Comparative figures for the previous year have been adjusted to reflect the change (Note 18)

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.

In kind resources

In kind resources are recognised in the accounts on the basis of the invoiced cost of providing these services.

Resources expended

Direct costs for charitable activities are charged to the charitable activity and support costs are allocated to the activity.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

Governance costs are charged directly to the Statement of Financial Activities when incurred and consist of audit fees and meeting costs.

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

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Notes to financial statements for the year ended 31 May 2006 (continued)

1 Principal Accounting Policies (continued)

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%	straight line
Office equipment (including computers)	20%	33%	straight line
Motor Vehicles	20%	25%	straight line

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

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

Scottish Business in the Community
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Notes to financial statements for the year ended 31 May 2006 (continued)

2 Resources expended

Charitable activities

Supporting, brokering and challenging costs

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2006 Total £	2005 Total £
SBC Network Groups	203,894	81,889		285,783	242,538
Senior Executive Programme	98,093	29,069	-	127,162	118,359
Development Assignment Programme	260	76		336	3,231
Partners in Leadership	5,495	1,606		7,101	16,861
Glasgow Project	30,000	57,143		87,143	87,167
CSR Events, Publicity and Rural Affairs, Accommodation, IT	23,397	30,353	15,639	69,389	29,136
Awards for Excellence	13,323	3,891	-	17,214	27,529
GlaxoSmithKline – Economic Development Fund	203,736	59,523		263,259	280,045
Cares/Team Challenge	17,342	5,065		22,407	36,479
Research/SMEs	7,170	2,094	-	9,264	8,389
Celebration Dinner	16,992	4,963		21,955	91,390
Ready for Work/Business Action on Homelessness	103,156	30,130		133,286	96,038
Healthy Working Lives	27,233	7,954		35,187	
Community Mark	32,446	9,476		41,922	48,338
Payroll Giving	8,408	2,456		10,864	
Number Partners	15,519	9,072		24,591	
	806,464	334,760	15,639	1,156,863	1,085,500

Costs are allocated to the above activities by charging direct salaries and other costs to the activities and adding management costs using recovery rates for salaries and overheads based on hours spent on each activity

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

Notes to financial statements for the year ended 31 May 2006 (continued)

2 Resources expended (continued)

Supported Costs

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2006 Total £	2005 Total £
Salaries	332,097	189,459	6,124	527,680	533,137
Consultancy	115,830	18,293		134,123	117,363
Honoraria	26,842	1,110	-	27,952	21,313
Events	20,066	8,371		28,437	90,437
Travel and subsistence	33,611	10,333	656	44,600	47,475
Office services	13,200	7,826		21,026	10,945
Rent and rates	7,384	11,599		18,983	10,992
Printing and publicity	10,775	2,380		13,155	24,699
Telephone	8,263	4,694		12,957	17,103
Other	18,202	26,482	8,859	53,543	40,321
	586,270	280,547	15,639	882,456	913,785

Grants Payable

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated £	2006 Total £	2005 Total £
GSK Start Up Grants	49,442	-		49,442	61,409
GSK Business Growth Grants	114,946	-	-	114,946	98,176
GSK Skillsladder	17,608			17,608	11,830
GSK Individual Initiative Fund	1,761			1,761	
Other	2,110	-		2,110	300
Grants Repaid	34,327	-		34,327	
	220,194		-	220,194	171,715
Total year to 31 May 06	806,464	280,547	15,639	1,102,650	1,085,500

3 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 financial statements for the year ended 31 May 2006 (continued)

4 Total Resources Expended

	Basis of Allocation	Charitable Activities 2006 £	Governance Costs 2006 £	Total 2006	Charitable Activities 2005 £	Governance Costs 2005 £	Total 2005
Costs directly allocated to activities							
Salaries	Direct	380,577	11,617	392,194	398,514	11,677	410,191
Consultancy fees	Direct	130,938		130,938	107,830		107,830
Honoraria	Direct	27,952		27,952	21,313		21,313
Events and programme purchase	Direct	23,731		23,731	67,596		67,596
Travel & subsistence	Direct	37,200	461	37,661	38,470	590	39,060
Office services	Direct	15,251	571	15,822	5,720	521	6,241
Audit	Direct		4,000	4,000			
Rent & rates	Direct	10,798		10,798	6,856		6,856
Printing and publicity	Direct	11,364		11,364	19,034		19,034
Telephone	Direct	8,902	112	9,014	11,464	143	11,607
Motor	Direct		121	121	105	78	183
Depreciation	Direct	12,431	672	13,103	4,256	672	4,928
Subscriptions	Direct	3,421		3,421	1,746		1,746
Other	Direct	12,589		12,589	11,699		11,699
Grants paid	Direct	220,194		220,194	171,509		171,509
Sub Total		895,348	17,554	912,902	866,112	13,681	879,793

Support costs Allocated to activities

Salaries	Pro Rata	193,572		193,572	134,623		134,623
Consultancy fees	Pro Rata	3,185		3,185	9,533		9,533
Honoraria	Pro Rata						
Events and programme purchase	Pro Rata	7,304		7,304	22,841		22,841
Travel & subsistence	Pro Rata	9,242		9,242	9,005		9,005
Office services	Pro Rata	7,454		7,454	5,225		5,225
Rent & rates	Pro Rata	8,191		8,191	4,136		4,136
Printing and publicity	Pro Rata	1,796		1,796	5,665		5,665
Telephone	Pro Rata	4,503		4,503	5,639		5,639
Motor	Pro Rata	483		483	334		334
Depreciation	Pro Rata	3,848		3,848	5,247		5,247
Subscriptions	Pro Rata	3,138		3,138	1,840		1,840
Other	Pro Rata	18,799		18,799	15,300		15,300
		261,515		261,515	219,388		219,388

Total Resources Expended		1,156,863	17,554	1,174,417	1,085,500	13,681	1,099,181
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In Kind Support

Accommodation and admin support		27,250		27,250	54,000		54,000
Professional Services			25,500	25,500		25,700	25,700
Staff Costs		111,600		111,600	131,000		131,000
Printing and Publicity		1,000		1,000			
Events						1,000	1,000
		139,850	25,500	165,350	185,000	26,700	211,700

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

Notes to financial statements for the year ended 31 May 2006 (continued)

5 Surplus for the year

The surplus for the year is stated after charging

	2006 £	2005 £
Rental of office at Heriot Watt University Research Park	7,839	
Hire of office equipment – operating leases	79	79
Depreciation of fixed assets	16,480	10,175
Loss on disposal of fixed assets	471	
Audit fees	4,000	

The directors have agreed to provide their services on an honorary basis. Accordingly, no directors' emoluments or reimbursement of expenses 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

	2006 Number	2005 Number
Programme managers	12	11
Administration	8	7
	20	18

	2006 £	2005 £
Company employment costs		
Gross wages	504,122	473,549
Employer's national insurance contributions	53,022	49,267
Pension contributions (a)	28,622	21,998
	585,766	544,814

(a) 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 employee's own pension schemes and amounted to £28,622 (2005 £21,998).

(b) No remuneration or expenses are paid to directors (2005 £NIL)

(c) In addition to the paid employees noted above, SBC had the support during the year of four persons on secondment from other organisations with employment costs of £111,600.

(d) There is no employees in receipt of total remuneration in excess of £60,000 (2005 NIL)

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Notes to financial statements for the year ended 31 May 2006 (continued)

7 Fixed assets

	Office Equipment £	Office Fittings £	Motor Vehicles £	Total £
Cost				
At 31 May 2005	84,923	12,532	16,609	114,064
Additions	3,910	33,248		37,158
Disposals	43,580	1,480		45,060
At 31 May 2006	45,253	44,300	16,609	106,162
Depreciation				
At 31 May 2005	60,352	8,481	4,760	73,593
Disposals	43,580	524		44,104
Charge for year	10,242	2,878	3,360	16,480
At 31 May 2006	27,014	10,835	8,120	45,969
Net book value				
At 31 May 2006	18,239	33,465	8,489	60,193
Net book value				
At 31 May 2005	24,571	4,051	11,849	40,471

8 Debtors

Amounts falling due within one year

	2006 £	2005 £
Sundry debtors	600	595
Prepayments and accrued income	35,410	7,774
Advances to Tayside Business Gateway	50,903	66,654
	86,913	75,023

The advances to Tayside Business Gateway are in respect of GSK Angus and Mearns Economic Development Fund (refer to note 15)

9 Stock

	2006 £	2005 £
Consumables	200	200

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Notes to financial statements for the year ended 31 May 2006 (continued)

10 Creditors

Amounts falling due within one year

	2006 £	2005 £
Other taxation and social security	13,840	14,962
VAT	16,536	21,165
Sundry creditors	41,728	61,975
Accruals and deferred income	159,432	150,545
	231,536	248,647

Accruals and deferred income includes £135,970 (2005 £120,653) of subscription income to be released to income over the period to which the subscription relates

11 Financial commitments

As at 31st May 2006 the company had entered into the sub lease of premises at Livingstone House, 43A Discovery Terrace, Heriot Watt University Research Park, Edinburgh EH14 4AP for a period of six years commencing the first day of January 2006 but with the option of terminating the sub lease on the thirty first day of December 2008

	2006 £	2005 £
Due within one year	26,441	
Due within 1 to 2 years	34,381	
Expiring between 2 and 5 years	20,056	
	80,878	

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 £361,000 (2005 £365,000). There are no costs incurred with related parties (2005 £nil). Benefits in kind from such related parties totalled £53,750 (2005 £88,500).

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Notes to financial statements for the year ended 31 May 2006 (continued)

13 Movement of Funds

	Restricted Funds £	Unrestricted Funds General £	Unrestricted Funds Designated	2006 Total £
Opening balance as previously reported	729,979	253,354	112,909	1,096,242
Prior year adjustment (note 18)		(120,653)		(120,653)
Opening balance as restated	729,979	132,701	112,909	975,589
Movement during year	(166,729)	(51,479)	(15,639)	(233,847)
Transfers	(41,169)	41,169		
Balance at 31 May 2006	522,081	122,391	97,270	741,742

The transfer relates to the balance of funds which are no longer required for projects where objectives and criteria as originally specified have been met in full

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 financial statements for the year ended 31 May 2006 (continued)

15 Restricted funds

	At 1 June 2005 £	Incoming Resources £	Outgoing Resources £	Transfers £	Released to Unrestricted Funds £	At 31 May 2006 £	Notes
Network Groups	147,342	128,557	203,894	1,431		73,436	(1)
Senior Executive Programme	15,358	95,000	98,093	1,431		10,834	
Community Mark	12,224	51,035	32,446			30,813	
Partners in Leadership	27,477	1,000	5,495		22,982		
Number Partners		15,519	15,519				
Glasgow Project		30,000	30,000				
Awards for Excellence	1,355	16,640	13,323			4,672	
GSK Main Fund	474,540	47,630	203,736			318,434	
Cares/Team Challenge		35,529	17,342		18,187		
CSR Events, Publicity and Rural Affairs, Accommodation, IT	3,145	21,252	23,397			1,000	
Business Action Against Homelessness	12,636	92,816	103,156			2,296	
CSR/SME Initiatives	25,462	25,000	7,170			43,292	
Celebration Dinner	10,440	6,552	16,992				
Development Assignments		4,000	260			3,740	
Payroll Giving		15,000	8,408			6,592	
Healthy Working Lives		50,000	27,233			22,767	
Outward Focus		4,205				4,205	
	729,979	639,735	806,464		41,169	522,081	

Network Groups, Glasgow Project, Partners in Leadership, Professional Firms Network and Business Action Against Homelessness 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

The objective of the programmes is to seek the engagement of private sector companies to provide support for charities, schools, community organisations and disadvantaged individuals

Cares/Team Challenge, Senior Executive Programme and Challenge Fund comprises income received from organisations involved in the programmes and the Scottish Executive

The objective of the programmes is to provide support for charities and community organisations through employee supported volunteering, retired manager volunteering and the provision of award funding for innovative and effective initiatives operated by the organisations

Community Mark and CSR/SME initiatives received funding from Scottish Enterprise

The funding is used to research and develop best practice in Corporate Social Responsibility with emphasis on small and medium sized enterprises

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Notes to financial statements for the year ended 31 May 2006 (continued)

15 Restricted funds (continued)

Awards for excellence, Celebration Dinner, Seeing is Believing and Rural Programme received grant funding from Communities Scotland, Scottish Enterprise and sponsorship funding from SBC members and others. The rural Programme is not yet funded.

These programmes are aimed at publicising the benefits of CSR to private sector organisations through the presentation of awards for best practice and letting the private sector leaders see examples of initiatives already running but which need support to continue or expand.

GSK (GlaxoSmithKline) Angus & Mearns Economic Development Fund was set up to alleviate the effects to the local community of the closure of GSK's Montrose Factory. The fund was launched in September 2003 and was expected to run for 3 years from that date, now likely to run until mid 2007. The fund, administered by SBC with the application and payment operation carried out by Tayside Business Gateway, has three strands from which payments are made:

Start up Grant	payments of up to £1,000 per sole trader and £2,000 per partnership to encourage the development of small businesses and thereby create jobs. 51 Start ups grants were paid, with 52 jobs created, costing £50,000 in 2005/06.
Growth Grant	payments of up to £5,000 per job (maximum £25,000 per business) to subsidise the cost of new jobs created in small (up to 25 employees) companies. 31 businesses were assisted and 37 jobs created at a cost of £115,000 in 2005/06.
Skillsladder	payments up to £1,000 per employee (maximum £5,000 per business) to subsidise the cost of training for small companies (up to 25 employees) as part of a development plan to expand the company and create more jobs. 53 training opportunities were completed during 2005/06, costing £18,000.00.

Grant payments are made after proof of actual expenditure is received and follow up procedures are in place to monitor the sustainability of the business and jobs created/assisted. Grants payments are reflected in SBC's accounts based on quarterly reports received from Tayside Business Gateway.

Also included in the GSK Main Fund in incoming resources is interest received on the unused balance of the fund. Outgoing resources include the costs of administering the fund including Tayside Business Gateway's consultancy fees.

Note (1) includes £22,393 for Angus Network Group as at 31 May 2006.

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Notes to financial statements for the year ended 31 May 2006 (continued)

16 Designated Funds

	At 1 June 2005 £	Incoming Resources £	Outgoing Resources £	At 31 May 2006 £
Benefactor Fund	65,934		2,783	63,151
Johnson & Johnson funding	40,195		6,076	34,119
CSR Fund	6,780		6,780	
	112,909		15,639	97,270

£31,000 of the Benefactor Fund represents the balance of the cost of fitting out the new SBC offices. This amount is being written off as depreciation over the period of the office lease.

£12,000 of the Johnson & Johnson Fund represents the balance of the cost of renewing the SBC office IT equipment. This is being written off as depreciation over a period of three years from the date of purchase. The balance of the designated funds (£54,000) will be used as seed corn funding to develop new income streams over the coming year, all as authorised by the Board.

17 Analysis of net assets between funds

	General Fund £	Designated Funds £	Restricted Funds £	Total Funds £
Tangible Fixed assets	60,193			60,193
Net current assets	62,198	97,270	522,081	681,549
	122,391	97,270	522,081	741,742

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

18 Prior year adjustment

The comparative figures for the previous year have been adjusted to reflect the change in recognition of subscription income (see notes 1 & 10) The effect on prior years figures is detailed below

	31 May 2005 £
Statement of Financial Activities	
Incoming resources from charitable activities per Statutory Accounts	906,069
Add Prior years deferred subscription income released	112,990
Less Deferred subscription income at year end	<u>(120,653)</u>
Restated income resources from charitable activities	<u>898,406</u>
Funds carried forward at 31 May per Statutory Accounts	1,096,242
Less Deferred subscription	<u>(120,653)</u>
Restated funds carried forward 31 May 05	<u>975,589</u>
Balance Sheet	
Creditors amounts falling due within one year per Statutory Accounts	127,994
Add Deferred subscription income at year end	<u>120,653</u>
Restated creditors	<u>248,647</u>