

The Big Issue in Scotland Limited
(a company limited by guarantee)

Directors' report and financial statements

30 June 1998

Registered number SC 144546

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Directors' report and financial statements

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Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 1998.

Statement of directors' responsibilities

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 year. In preparing those 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 which 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. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the company is the publication of a magazine which is sold by homeless people. Homeless people buy the magazine from the company for 35 pence and sell it to the general public for 80 pence. The philosophy behind the transaction is for homeless people to help themselves. The role of the company is to provide an attractive magazine filled with interesting articles which the general public will want to buy.

Business Review

During the fourth year of trading the company has consolidated its position with the magazine becoming well-known and respected throughout the community. The weekly publication schedules have now settled down and the magazine is well received by the public.

The number of badged up homeless vendors across the five centres in Scotland continues to grow although many are now moving into homes and jobs. The production of the magazine has allowed homeless vendors to earn £1.67 million through their own efforts during the past twelve months.

Millennium compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The company is addressing the impact of the Year 2000 on its business and operations by reviewing the major issues to assess exposure. Plans are to be put in place to seek to ensure the elimination of these exposures prior to the Year 2000. Total estimated costs are not believed to be significant.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that the company will achieve an acceptable state of readiness and will provide resources to deal promptly with significant failures or issues that may arise.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

PA Hughes
JM Young

The company is limited by guarantee, having no share capital. Each member of the company has undertaken to contribute an amount not exceeding £5 towards any deficit arising in the event of the company being placed in liquidation. The directors have no beneficial interest in the company or its activities.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Burness
Secretaries

50 Lothian Road
EDINBURGH
EH3 9WJ

29 June 1999



Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of The Big Issue in Scotland Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

29 June 1999

Profit and loss account
for the year ended 30 June 1998

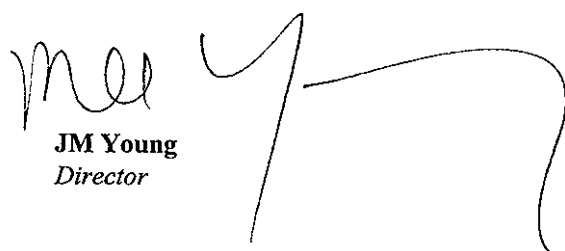
	<i>Note</i>	1998 £	1997 £
Turnover		1,660,884	1,683,209
Cost of sales		(1,361,508)	(1,226,965)
Gross profit		299,376	456,244
Distribution costs		(24,363)	(36,824)
Administrative expenses		(340,640)	(351,249)
Other operating income		41,616	13,757
Operating (loss)/profit		(24,011)	81,928
Interest receivable and similar charges		990	1,291
Interest payable and similar charges		(223)	(349)
(Loss)/profit on ordinary activities before taxation	3	(23,244)	82,870
Tax on (loss)/profit on ordinary activities	5	-	(19,591)
Retained (loss)/profit for the financial year	12	(23,244)	63,279

Other than the loss for the year there have been no recognised gains or losses.

Balance sheet
at 30 June 1998

	Note	£	1998 £	1997 £
Fixed assets				
Tangible assets	6		19,250	24,125
Investments	7		50	50
			<hr/>	<hr/>
			19,300	24,175
Current assets				
Stock	8	1,117	1,117	
Debtors	9	278,460	197,691	
Cash at bank and in hand		6,688	10,292	
		<hr/>	<hr/>	
		286,265	209,100	
Creditors: amounts falling due within one year	10	(278,026)	(182,482)	
		<hr/>	<hr/>	
Net current assets			8,239	26,618
			<hr/>	<hr/>
Net assets			27,539	50,793
			<hr/>	<hr/>
Capital and reserves				
Profit and loss account	12		27,539	50,793
			<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 29 June 1999 and were signed on its behalf by:


JM Young
Director

Notes

(forming part of the financial statements)

1 Status of the company

The company is limited by guarantee of its members and does not have a share capital. Each member of the company has undertaken to contribute an amount not exceeding £5 towards any deficit arising in the event of the company being wound up.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and on a going concern basis which assumes that the company will continue to trade. The validity of this assumption is dependent upon future profitability. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify fixed assets as current assets.

The company is a small company as defined in the Companies Act 1985 and is exempt by FRS 1 from the requirement to prepare a cash flow statement.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Computer equipment	5 years
Office equipment	5 years
Fixtures and fittings	5 years
Leasehold improvements	5 years
Motor vehicles	4 years

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents amounts (excluding VAT) derived from the provision of goods and services to customers during the year.

Leases

Rentals under operating leases are charged to the profit and loss account as incurred.

3 Loss on ordinary activities before taxation

	1998 £	1997 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Directors' remuneration for executive services	70,000	50,000
Auditors' remuneration	4,250	4,250
Depreciation of tangible fixed assets	14,298	12,111
Grants received	12,329	-
Rentals payable under operating leases for property	56,992	60,951
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 49 (1997: 50)

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	667,575	582,473
Social security costs	64,044	61,962
	<u>731,619</u>	<u>644,435</u>

5 Taxation

	1998 £	1997 £
UK corporation tax at 21% (1997 : 23.25%) on the profit/(loss) for the year on ordinary activities	-	20,638
Deferred taxation	-	(1,047)
	<u>-</u>	<u>19,591</u>

6 Tangible fixed assets

	Office equipment £	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Leasehold improvements £	Total £
Cost						
At beginning of year	15,848	1,928	28,688	-	14,090	60,554
Additions	-	-	3,363	6,060	-	9,423
	<u>15,848</u>	<u>1,928</u>	<u>32,051</u>	<u>6,060</u>	<u>14,090</u>	<u>69,977</u>
At end of year	15,848	1,928	32,051	6,060	14,090	69,977
Depreciation						
At beginning of year	10,984	957	13,216	-	11,272	36,429
Charge for year	3,169	386	6,410	1,515	2,818	14,298
	<u>14,153</u>	<u>1,343</u>	<u>19,626</u>	<u>1,515</u>	<u>14,090</u>	<u>50,727</u>
At end of year	14,153	1,343	19,626	1,515	14,090	50,727
Net book value						
At 30 June 1998	1,695	585	12,425	4,545	-	19,250
	<u>1,695</u>	<u>585</u>	<u>12,425</u>	<u>4,545</u>	<u>-</u>	<u>19,250</u>
At 30 June 1997	4,864	971	15,472	-	2,818	24,125
	<u>4,864</u>	<u>971</u>	<u>15,472</u>	<u>-</u>	<u>2,818</u>	<u>24,125</u>

Notes (continued)

7 Investments

The investment represents a 50% shareholding in Big Ideas Limited, currently a dormant company.

8 Stock

	1998 £	1997 £
Finished goods and goods for resale	1,117	1,117

9 Debtors

	1998 £	1997 £
Trade debtors	115,054	70,321
Other debtors	158,736	118,901
Prepayments and accrued income	4,670	8,469
	<u>278,460</u>	<u>197,691</u>

10 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	127,862	88,409
Bank overdraft	52,118	10,101
Taxation and social security	14,794	25,593
Other creditors	436	1,020
Accruals	82,816	37,980
	<u>278,026</u>	<u>163,103</u>

11 Provisions for liabilities and charges

	1998 £	1997 £
Deferred taxation:		
At beginning of year	-	1,047
Utilised during year	-	(1,047)
	<u>-</u>	<u>-</u>
At end of year	-	-

12 Profit and loss account

	1998 £	1997 £
At beginning of year	50,793	(12,486)
Retained profit/(loss) for the financial year	(23,254)	63,279
	<u>27,539</u>	<u>50,793</u>

Notes (continued)

13 Commitments

Annual commitments under operating leases are as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	1,187	1,608	19,750	-
In the second to fifth years inclusive	60,000	-	-	1,608
	<hr/>	<hr/>	<hr/>	<hr/>
	61,187	1,608	19,750	1,608
	<hr/>	<hr/>	<hr/>	<hr/>

14 Related party transactions

The company rents premises from the Social Iceberg Foundation, which is a registered charity managed by the directors of the company. Rentals and service charges payable to Social Iceberg Foundation for the year amounted to £41,000. In addition, the Big Issue in Scotland has paid for expenditure incurred by the Social Iceberg Foundation on its behalf. These amounts are repayable by the charity. The amount outstanding at 30 June 1998 amounts to £157,860.

£18,688 has been received from the Big Issue (North East) Limited for consultancy costs. Tricia Hughes is a director of this company.

15 Ultimate holding company

The company's ultimate holding company is The Big Issue (Scotland) Limited, a company registered in Scotland. Copies of the financial statements of The Big Issue (Scotland) Limited may be obtained from Companies House, 37 Castle Terrace, Edinburgh.