

THE CENTRE FOR TOMORROW'S COMPANY

(Company No. 3164984)
(Registered Charity No.1055908)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

PKF (UK) LLP

THE CENTRE FOR TOMORROW'S COMPANY
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2007

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THE CENTRE FOR TOMORROW'S COMPANY
DIRECTORS AND ADVISORS

Directors and Trustees

John Williams (Chairman)
Polly Dryden (resigned 18 September 2007)
Prof. John Fyfe
Mark Goyder
Richard Hicks
Paul Howard (appointed 13 February 2007)
Bernard Kelly
Solitaire Townsend (appointed 13 February 2007)

Secretary

Bob Andrews

Registered Office

NIOC House
4 Victoria Street
London SW1H 0NE

Business Address

NIOC House
4 Victoria Street
London SW1H 0NE

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Bankers

The Co-operative Bank
80 Cornhill
London
EC3V 3NJ

CAF Bank Limited
25 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4J

THE CENTRE FOR TOMORROW'S COMPANY
DIRECTORS' REPORT

The Board presents the report and financial statements of Tomorrow's Company for the year ended 31 March 2007. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised March 2005). The report and statements also comply with the Companies Act 1985 as the organisation was incorporated by guarantee in 1996. It has no share capital and is a registered charity. The guarantee of each member is limited to £1. The governing document is the Memorandum and Articles of Association of the Company and members of the board of trustees are the Directors of the company. This report starts by describing our objectives as a research and education charity. It goes on to describe the foundations of membership and organisation upon which this effort is based and from which it is resourced.

1. OBJECTIVES

1.1 Origins

In 1993 the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) initiated a business-led inquiry into 'the role of business in a changing world'. The objective was to develop a shared vision of the company of tomorrow. The findings of the inquiry, published in 1995, introduce the concept of an inclusive approach to business success in which a company:

- * defines and communicates its purpose and values
- * develops a unique success model
- * places a positive value on each of its relationships
- * works in partnership with stakeholders
- * maintains a healthy reputation.

The Centre for Tomorrow's Company (CTC or 'Tomorrow's Company') was founded in 1996 following the success of the Tomorrow's Company Inquiry, and in response to demand from businesses involved in the inquiry to carry forward the work that started in the inquiry. The majority of our income continues to come from the membership subscriptions, donations and sponsorship by businesses that share our vision and work with us to shape our agenda and help realise our objectives.

1.2 Vision

Tomorrow's Company works to create a future for business which makes equal sense to staff, shareholders and society.

1.3 Constitution and objects

Our formal objectives are the advancement of education of the public in business, commerce, industry, employment and related subjects with particular reference to the principles known as the 'inclusive approach' as set out in the Report of the *Tomorrow's Company* Inquiry published in June 1995 by the RSA.

Our status is as a company limited by guarantee (company no 3164984) and a registered charity (number 1055908).

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1.4 Strategic objectives

- * To undertake and publish agenda setting research, drawing upon the experience of business and relevant published research;
- * To act as a focal point for business, and our other key stakeholders by facilitating debate, generating, linking and exchanging ideas and encouraging learning;
- * To recruit and retain members, partners and donors from among our chosen audiences and to mobilise them as participants in our research and champions of our activities;
- * To identify and explore with business the future sources of durable and sustainable business success;
- * To promote the adoption of new ideas, frameworks and agendas that stimulates action that furthers our vision.

The defining approach of Tomorrow's Company is a business-led inquiry. From our relationship with members and our dialogue with partners, we identify a major issue and engage leaders from business to develop their own vision and agenda for this issue. We then follow up the agenda with practical and influencing work.

1.5 Themes of our work

Since 2000 our work has been organised around the following programme themes:

- * an improved investment system
- * an inclusive approach to leadership and governance
- * closing the gap between business and society

We continue to work under all these themes. Further detail on this can be found in the Annual Review.

1.6 Structure, Governance, and Management

We made a significant change to our leadership in the year. After a formal and thorough recruitment process, supported by professional advisers Saxton Bampfylde Hever, Tony Manwaring, former CEO of Scope, joined as our first Chief Executive on 26 February 2007. Mark Goyder, who had served as Director since the launch of Tomorrow's Company, took the title of Founder Director. Tony's role is to focus on driving the growth of the organisation to support our vision and mission, working closely with Mark, trustees, staff and other stakeholders in shaping a longer-term strategy and programme for Tomorrow's Company, allowing Mark more time to focus on member engagement, thought leadership and driving the innovative thinking we have always aspired to stimulate and share.

In the last year the focus of the board discussions has been on:

- * supporting the change in management described above and reviewing board composition, leading to the recruitment of two new trustees
- * the risks and opportunities associated with the development of work on the Tomorrow's Global Company inquiry and the future direction of the organisation.

The diversity of skills, experience and perspectives is important to an effective board. Trustees are appointed with a view to their helping advise the board and staff team on particular areas in addition to their primary role to provide strategic direction and sound governance. We seek trustees

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representative of:

- * business issues and the interests of current corporate members
- * knowledge of finance and accounting
- * communications and public affairs and government
- * HR, management development and training
- * the world of business research and education
- * management, entrepreneurship and organisational growth.

The evaluation and renewal of the trustee body so that it fills these roles is a continuing responsibility. Over the last year the board undertook a comprehensive review of potential candidates to strengthen its representation, close gaps and broaden its diversity. The result was the recruitment of two new trustees:

Paul Howard (Managing Partner, Wragge & Co, London Office)

Solitaire Townsend (Co-founder, Futerra Sustainability Communications Ltd)

The induction for each trustee is tailored to individual needs but always includes introductory sessions with members of the management team and background reading. The trustees enjoy a continuous process of updating around the issues with which we deal. This includes attendance at events with members, the review of our programme at each board meeting, and, where appropriate, any external training that is necessary.

There are now a variety of ways in which information is shared with the trustees and they are involved in the work of Tomorrow's Company. The trustees meet quarterly. Board reports and board agendas are now divided into two parts. The first is concerned with resources, organisation and financial performance. The second is concerned with our external impacts and the fulfilment of our charitable purpose.

At each meeting the Board reviews the management accounts, and every six months we are presented with the staff team's strategic priorities and deliverables for the coming six months, together with a review of performance against targets, and an update on the progress of the organisation.

Regular updates are sent to all trustees via email in between the trustee meetings. They are provided with the financial status on a monthly basis.

There are no permanent sub committees of the board. We have found it more efficient to set up and disband such groups on an ad hoc basis as the need arises. This year, this included a group to lead the recruitment of the Chief Executive and another set up to review Key Performance Indicators.

1.7 Current Management Team and Plans for the Future

Responsibilities within the staff team are currently as follows:

Role	Name	Responsibilities
Chief Executive	Tony Manwaring	Organisational management and thought leadership; setting annual objectives; setting out a strategy and budget, and meeting them; generation of income; staff development and deployment; reviewing how staff and supporting

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		volunteers are organised to deliver the mission
Founder Director	Mark Goyder	Thought leadership; member recruitment and relationship management; advocacy, public affairs and influencing; advisory work and business development
Head of Research	Pat Cleverly	Thought leadership, research including Programme Director for the Tomorrow's Global Company inquiry - which included the organisation of the research and consultation programme and leading the internal team; planning; knowledge management
Head of Operations	Richard van 't Erve	Finance; HR; administration; IT; procurement; facilities management
Head of Communications	David Lourie	Branding; website; member events; speaking engagements; media relationships; internal and external communications; publications; marketing of advisory and support work
Research and Operations Assistant	Gerard O'Donnell	Support Tomorrow's Global Company; support research and operations; general administration; database; specific projects

In addition to the trustees and full time staff, the research work of Tomorrow's Company has been supported by its Senior Research Fellow, Philip Sadler. Additional work has also been carried out by research associates and these have included Finn Jackson and Arthur Probert. The team was assisted in the writing and editing of the Tomorrow's Global Company report by David Vigar, a freelance writer.

Dermot Egan worked as a Senior Researcher with Tomorrow's Company until 31 December 2006 when he left to work with the Cambridge Programme for Industry. Neil Walmsley joined as Development Officer on 21 May 2007.

2. ACTIVITIES AND IMPACTS

Principal activities and impacts for the year and plans for the future

Overview

- * Tomorrow's Global Company: challenges and choice - facilitating an international inquiry involving organisations and individuals from across the world, culminating in the launch of the report in June 2007
- * Growth in international reach and relationships
- * First Research Group - Ageing Population, Pensions and Wealth Creation
- * Second Research Group - The Future of Corporate Reporting
- * Engaging on climate change
- * Company Law Review
- * Three major new publications: Climate change - the role of global companies; Corporate purpose and values - time for a re-think?; Future of corporate reporting: state of play - Feb

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- * Monthly columns in Ethical Corporation magazine and Accountancy Age
- * A speaking platform every two weeks
- * Improved website, new microsite and regular e-bulletin communication
- * Company of the Year Award with Business in the Community

2.1 Tomorrow's Global Company - the challenges and choices

Tomorrow's Global Company is the major inquiry we launched formally in July 2006, resulting in a report that details the conclusions of, in all, two years of deep dialogue and extensive research.

This inquiry has been the first time that Tomorrow's Company has explicitly worked on an international basis. It brought together an Inquiry Team of senior figures from companies and civil society organisations based in Europe, Asia and North America.

The inquiry was led jointly by John Manzoni, then Group Managing Director and Chief Executive, Refining and Marketing of BP (now of Talisman) and Nandan Nilekani, Co-Chairman of Infosys.

Participating organisations	
ABB	International Institute for Sustainable Development
Alcan	KPMG
Amnesty International Business Group	Leaders' Quest
Anglo American	McKinsey & Company
BP	Standard Chartered
Dr.Reddy's	SUEZ
Ford	SustainAbility
Infosys	

In addition to the Inquiry Team there was a Research Faculty drawn from the participating organisations and from organisations in partnership with Tomorrow's Company who provided additional support in the researching and writing of the report.

The inquiry involved desktop research, one to one interviews, consultations and a public call for evidence. In addition 16 consultations were conducted in countries including Australia, China, France, India, South Africa, UK and US. 55 interviews were also completed with business leaders, stakeholder organisations and experts from across the world.

Over the year we completed six (10 were completed in total) Inquiry Team meetings which involved senior representatives from the Inquiry Team organisations.

The report was launched on 18 June 2007 at Reuters in London to an audience of over 100 people from business, government and civil society. Speaking at the event were representatives from the Inquiry Team including Sir Mark Moody-Stuart (Chairman of Anglo American), Mervyn Davies (Chairman of Standard Chartered) and Nandan Nilekani (Co-Chairman of Infosys).

The report has provided a framework for future work by Tomorrow's Company. Further information about the launch and the subsequent work can be found on the inquiry microsite:

www.tomorrowcompany.com/global.aspx

The impact of the inquiry and the subsequent report will be more fully reported in next year's report. However already there has been significant coverage in the international media and there have been requests to present the findings at events across the world, including in Australia, China,

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Germany, India, Spain, and the US.

Since the completion of the Tomorrow's Global Company inquiry in June 2007 we are now developing a solid platform of relationships and themes from the inquiry through which Tomorrow's Company will continue to encourage business leaders and investors to engage with other parts of society in creating a business future that makes equal sense to staff shareholders and society.

2.2 Growth in international reach and relationships

Although Tomorrow's Company originated in the UK, it has seen a steady growth in international awareness of its values and approach. As a result of over 18 months of activity on the Tomorrow's Global Company inquiry, Tomorrow's Company has now seen a significant increase in its international profile and relationships. This is being reflected in an increasing number of invitations to speak overseas, and approaches from like-minded organisations in different countries.

A number of new membership and partnership relationships have been developed, for example in Australia, India, Spain and South Africa. This is enabling us to work with partners on the ground in different territories, and so enhance our overseas impact without excessive risk.

One example is the new partnership with Tamkeen Consulting of Saudi Arabia in which we have engaged in a process of raising awareness of corporate social responsibility in Saudi Arabia through platforms (including addressing the Jeddah Economic Forum) and workshops.

2.3 First Research Group - The Ageing Population, Pensions and Wealth Creation

Key partners: Philip Sadler, Senior Research Fellow, and Phil Mullan, Economist

Work continues to be done by the Ageing Population Group. The group has met four times over the last year and discussions have been held with the Pensions Policy Institute with regard to the possibility of a joint event. Members of the group have continued to advocate the findings of the report. Evidence was submitted to the Select Committee on Work and Pensions on 15 January 2007.

On 13 September 2006 an event was held that looked at a specific area, the National Pensions Saving Scheme, from the Government's Pensions White Paper. Speaking at the event were Christine Farnish (then Chief Executive, NAPF - now of Barclays), Andy Street (then HR Director, John Lewis Partnership - now Managing Director) and Philip Sadler (Senior Fellow, Tomorrow's Company). The event was chaired by Mark Goyder. The following people continue to play an active role as part of the research group on the Ageing Population:

- * Jason Coates - Partner, Wragge & Co LLP
- * Jeremy Goford - Former Principal with Tillinghast-Towers Perrin and President of the Institute of Actuaries from July 2002 until July 2004
- * Chris Hirst - Former Executive Director Investment Management, Co-operative Insurance
- * Phil Mullan - An economist and business adviser, and non-executive director of Easynet Group.

Supported by:

- * Patricia Cleverly - Head of Research, Tomorrow's Company
- Mark Goyder - Founder Director, Tomorrow's Company

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2.4 Second Research Group - Future of Corporate Reporting

Tomorrow's Company has been a pioneer of forward-looking and inclusive reporting since the publication of 'Sooner, Sharper, Simpler' in 1998. This work was crucial in the shaping, through the Company Law Review, of proposals for the original mandatory Operating and Financial Review (OFR).

As a result of the work of this research group during the year some progress has been made in enabling companies to make their own choices as to how they report. In September 2006 the group refined the principles we believe should underpin narrative reporting in the future, and reissued 'Sooner, Sharper, Simpler', which continues to embody these principles in practical form. This document was then sent out to a list of the FTSE 250 Finance Directors and Chief Executives.

The work of the group continued with a second publication entitled 'The Future of Corporate Reporting: State of Play' which was published in February 2007. This short report looks at how companies have changed their reporting style, both before and after the introduction of the enhanced Business Review. It examines the reasons behind their actions, and makes predictions for how we should expect this area to evolve in the reporting season following the year ends in December 2006. Its main conclusion was that in spite of the decision made to scrap the mandatory OFR, the kind of forward-looking narrative reporting envisaged in the OFR has become embedded in the practice of more than half the companies in the FTSE 100.

The core research group consisted of:

- * Nigel O'Connor (Financial Dynamics)
- * Seamus Gillen (h2glenfern)
- * Daniel Summerfield (USS)
- * Philip Mann (Bostock and Pollitt)
- * Andrew Fields (then KPMG, now of DTZ Holdings Plc)
- * Finn Jackson (Tomorrow's Company Research Associate)

Supported by:

- * Patricia Cleverly - Head of Research, Tomorrow's Company
- * Mark Goyder - Founder Director, Tomorrow's Company

2.5 Engaging on climate change

In March 2006 Al Gore delivered the Tomorrow's Company 2006 Annual Lecture to an audience of over 300 members and key contacts. Following the lecture, and as part of the Tomorrow's Global Company inquiry, an interim publication was produced entitled '*Climate change: the role of global companies*' (May 2006). In September 2006 we held a preview screening of Al Gore's film 'An Inconvenient Truth' with Business in the Community at a cinema in the West End with over 400 attendees, including many of the next generation (attendees were encouraged to bring their children to the screening).

The lecture, publication and screening all proved to be powerful focal points for engaging on climate change for our members. As a result in January 2007 we started a new members' group focused on climate change. The group was initiated by one of our new members CarbonSense. Members of the group include USS, E.ON, and BSKyB. We are now planning a workshop towards the end of 2007 on the future impacts of a low carbon economy for companies.

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2.6 Companies Act

11 years ago, in the original RSA inquiry report, the point was made that UK directors did not clearly understand that they owed their duty to the company, while being accountable to shareholders. The recommendation of that report was that company law should be clarified. Over the following decade Tomorrow's Company worked closely with the working groups set up by the Department of Trade and Industry.

On 8 November 2006 the new Companies Act received Royal Assent and included a number of recommendations from the work of Tomorrow's Company specifically in reference to the duty of a director being to "promote the success of the company for the benefits of its members as a whole". This makes specific reference to staff, shareholders and society.

Our successful influence on the Companies Act and its inclusion of a more 'inclusive approach' show just how long-term our work can need to be to have a lasting impact.

Further information can be found at:

http://www.opsi.gov.uk/acts/acts2006/ukpga_20060046_en.pdf

2.7 Follow up of Restoring Trust

Main partners: Cadbury Schweppes, CIS, Hermes, KPMG, Man Group and Tomkins

We have been continuing to follow up our inquiry culminating in the report 'Restoring Trust - an inquiry into the effectiveness of the UK Investment system' (2004) and have been working to progress some of the key recommendations in the report. This spawned four main forms of follow-up (including the First Research Group - The Ageing Population, Pensions and Wealth Creation mentioned earlier). The other three were:

1. The Financial Services Guild

One of the themes of Restoring Trust was the need for powerful ethical underpinning to the conduct of all aspects of financial services. A number of investment and financial services professionals feel strongly about this and helped Tomorrow's Company develop a proposal for the formation of a Financial Services Guild. Discussions on pursuing the formation of the guild were extended to include users of the financial services system and other parties who have a vested interest in its integrity. Whilst there has been widespread support, as yet we have been unable to obtain a critical mass. Our view is that we have laid out the arguments and framework but it is up to the financial services industry to take forward as an initiative of its own.

2. Research Faculty

Two meetings of the faculty were held in the year. Faculty members have continued to offer their support.

3. The Retail Financial Services Group (RFSG)

This group was formed by the industry in response to recommendations by the Restoring Trust inquiry, and the House of Commons Treasury Select Committee. Tomorrow's Company has urged the group to set itself some clear objectives and to report publicly on its progress. The group has displayed only limited transparency so far and there has been no further contact.

Chris Hirst and Arthur Probert have assisted in taking forward the above.

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2.8 Publications, columns and articles by Tomorrow's Company

Tomorrow's Company released three of its own major publications this year. In addition it was responsible for a monthly column in Ethical Corporation Magazine and regular articles in Accountancy Age.

Publication titles	Publication date
Climate Change - the role of global companies	May 2006
Corporate purpose and values - time for a re-think?	November 2006
Future of Corporate Reporting - state of play - February 2007	February 2007

2.9 Media Coverage

Tomorrow's Company enjoyed significant coverage in the national newspapers (including the Financial Times, the Telegraph, and the Evening Standard), on business radio, television and on a variety of websites. On television Mark Goyder appeared several times speaking on sustainability, corporate governance and reputation issues on CNBC and the BBC. The communications function continues to be vital to the success of Tomorrow's Company and has been strengthened this year through additional resource provided by the PR and communications agency Brunswick (specifically focused on the Tomorrow's Global Company inquiry).

2.10 Events & speaking platforms

We held or co-hosted nine events for members. In addition we organised 16 consultations, as part of the Tomorrow's Global Company inquiry, across the world including in Australia, India, France, China, UK and US.

We fulfilled a total of 21 speaking engagements, reaching a total of over 2,000 people across our key target audiences. Highlights included speeches by Mark Goyder at the Jeddah Economic Forum, an interview of Charles Handy by Mark Goyder at a Benchmark for Business conference and the Ethical Corporation conference on Ethical Finance.

In addition there were speeches by members and partners of Tomorrow's Company. For example Charles Gray of Unipart, and Philip Sadler made presentations as part of the UCL MSc programme (University College London, Master of Science) for the Interdisciplinary Management of Projects. Philip Sadler also addressed the EFMD (The International Network for Excellence in Management Development) Annual Meeting for Deans & Director Generals, on pensions. Our Chairman John Williams spoke at an event on community engagement hosted by Three Hands.

2.11 Advisory

Mark Goyder continues to serve in an advisory capacity with the following member companies:

- * BA's Corporate Responsibility Board - as the only non-executive member of this body, challenging the company to review its current Corporate Responsibility policies and impact and advising on proposed changes
- * BT Stakeholder Leadership Panel, a group of five experts advising BT on emerging issues for corporate responsibility and reviewing the development of its social report
- * Camelot Advisory Panel for Corporate Responsibility, a group of five experts advising Camelot on emerging issues, reviewing its own performance, and taking special responsibility for reviewing the development of initiatives with the company's suppliers

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In addition we carried out advisory work helping one member company with the assessment of its approach to reporting, using the scorecard to be found in *Sooner, Sharper, Simpler*. At the end of the year we started working with another member, involved in integrated business services across Europe, on their approach to corporate responsibility and are providing advisory services for them going forward.

2.12 Online communications

Website

Tomorrow's Company now has a fully editable website that is updated regularly by members of the Tomorrow's Company staff. In June 2006 a tracking system was introduced that allows us to monitor traffic to the site. From June 2006 to March 2007 we had an average of 3,000 hits per day on the main website.

On 25 July 2006 we launched a microsite for the Tomorrow's Global Company inquiry. This site acted as the main focus for all the information about the inquiry. It also was designed to allow for a public call for evidence to be conducted. This allowed others outside the inquiry to add their thoughts to the inquiry via postings on the website. We had over 50 submissions to our call for evidence from the website.

E-bulletin

A total of seven e-bulletins have been sent out over the last year. The mailing list has increased, particularly through the additional work on the Tomorrow's Global Company inquiry, to now include over 3,000 members and contacts. The e-bulletin is the main communication method for regular updates for our members and key contacts. Since starting as Chief Executive, Tony Manwaring has regularly emailed members and supporters of Tomorrow's Company to engage in active dialogue, and encourage feedback and involvement.

2.13 Company of the year - Business in the Community

Tomorrow's Company acted as the main partner organisation for the Business in the Community Impact on Society Award (Company of the Year). We provided two assessors for the judging process and Mark Goyder acted as one of the main judges for the final stages of the judging. Marks & Spencer were eventual winners of the Company of the Year award in 2006.

2.14 Tomorrow's Company 10 year celebration

Key Partner: Wragge & Co

On 30 January 2007 we celebrated 10 years as an independent organisation. The event was attended by over 150 members, key contacts and friends of Tomorrow's Company. The event was kindly hosted by the law firm Wragge & Co in their newly refurbished offices in Holborn. The guest speaker on the evening was Sir Stuart Hampson, the then Chairman of John Lewis Partnership and a former Chairman of Tomorrow's Company.

To coincide with this milestone event, a keynote opinion piece by Sir Stuart was published by the Financial Times on 31 January 2007, titled: '*Why values must still matter to tomorrow's companies*'.

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As part of the celebration we invited our members (past and present), partners and key contacts to write their thoughts on what Tomorrow's Company had achieved and what challenges lay ahead.

Below are a few of the responses from the questionnaire:

What would you say have been the most significant impacts of Tomorrow's Company since the original inquiry?

"Successfully encouraging more board awareness of social, environmental and ethical issues; more robust processes for addressing corporate responsibility. Successfully promoting and facilitating a dialogue between companies and stakeholders." Colin Melvin, Chief Executive, Hermes Equity Ownership Services

"Tomorrow's Company has shown, with admirable clarity and persistence, that a 'one size fits all' approach to business is simply wrong. Tomorrow's Company challenges the unthinking orthodoxies of market triumphalists. Tomorrow's Company was talking about sustainability long before it became fashionable. Tomorrow's Company has raised the tone and quality of debate, and if it did not exist we would have to invent it." Stefan Stern, Journalist, Financial Times

"Engaging influential individuals to find ways to take what they think and say on Sunday afternoon in to their day job on Monday morning." Raj Thamotheram, Director, Responsible Investment, AXA Investment Management

3. FINANCE, RESOURCE AND INFRASTRUCTURE

Because of Tomorrow's Company's focus on undertaking major inquiries, our income has been cyclical. As required by SORP the income from donations has to be taken when received. The impact of this is magnified by accounting convention which means that the income is reported in the year in which it is received, which is not necessarily when money is spent. This leads to large reported 'swings' in net income and deficits. It is therefore essential to take a three year view of our financial performance, to smooth out the impact of these factors. From this perspective the income secured to undertake the Inquiry on Tomorrow's Global Company has contributed to a large financial surplus in 2006/07 which will then be followed by a significant deficit in 2007/08. The trustees have taken this opportunity to invest in the appointment of the Chief Executive and making other changes so that Tomorrow's Company can develop a new financial and business model, which moves away from this kind of pattern, and enables sustained development for the future.

3.1 Financial position

We have ended the year with a surplus of £188,456 (2005/06 £95,826), on income of £768,936 (including Gifts in Kind). This compares with income for the previous year of £591,835. In 2007/08 we are expecting a reduced level of income, and an overall deficit as the organisation goes into the follow-up and development phase of Tomorrow's Global Company.

3.1.1 Comments on income

Even though the work of Tomorrow's Global Company continued into 2007/08, because of the constraints imposed by SORP, for accounting reasons all the income for the project (£407,006) has been taken into income for 2006/07. Some expenses remain for 2007/08.

Membership retention was more positive than expected and this had a positive effect on membership income.

Income from advisory, speaking engagements and platforms was £25,342. Income from publications was only £2,142, with all the three publications in the Tomorrow's Global Company series being issued free of charge with sponsorship from the project.

3.1.2 Funding from trusts and foundations

The long-term support and invaluable input to the work of Tomorrow's Company from the Freshfield Foundation has been key in the development of Tomorrow's Company. The donation from The Freshfield Foundation has been increased from £30,000 to £35,000 and was also confirmed for the following two years.

Apart from some modest donations and the increase from the Freshfield Foundation, we did not make any fresh gains in charitable trust funding. The focus has mainly been on the Tomorrow's Global Company inquiry.

Looking forward to 2007/08 we have now recruited Neil Walmsley as our Development Officer to help focus on developing relationships and funding from trusts and foundations, based on the example of the Freshfield Foundation.

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3.1.3 Comments on expenditure

The total paid staff costs were the main expenditure with total expenses of £341,069, an increase of £84,996 on the previous year as more staff were recruited to support the organisation and the research. The office costs increased by £16,852 to £56,684. This increase was mainly due to the rent with 2006/07 as the first full year in the Victoria Street premises. The other costs were £113,521 compared to £200,104 in 2005/06. This was considerably lower as there were no more expenses for the lease of the Buckingham Street premises, which we were subletting. Expenses for professional advisers and PR have been reduced compared to the previous year because of the stronger internal team.

The expenses for External Education Services were £2,428 and for Research, not including staff costs, the total was about £84,201.

3.2 Review of principal risks and opportunities

The trustees review risks at each board meeting and now also between meetings through regular monthly trustee updates. The four principal risks and opportunities are:

- * Ensuring that our investment in our first CEO allows us to create a stronger, bigger and more sustainable platform for future success;
- * Overall, retention of key staff after achieving a more stable core team;
- * Protecting our core membership income, strengthening and building on existing relationships and recruiting a regular flow of new members;
- * Maintaining our vision and mission - in particular, how we are to build on the outcomes and momentum of the Tomorrow's Global Company inquiry and continue to extend our international influence in a global world.

3.3 Reserves policy and progress made in year and objectives for current year.

The directors have established a long term policy that the organisation's free reserves should be built up to a sufficient level to cover three months' expenditure by the core organisation. At present levels of core activity this equates to a figure of around £100,000.

Two years ago we set an interim target of a reduction to zero of the current deficit but did warn that the need to move offices could render this unachievable in the short term. By the end of last year we had indeed achieved reserves, on an accounting basis, of £78,800 and by the end of this year of £267,256. However due to the cyclical nature of the funding of Tomorrow's Company, as described in paragraph 3.1.1, although we have achieved our target for this year we are not yet in a financial position where we will achieve our reserves policy on a year to year basis.

The current reserves will be needed for committed expenses for Tomorrow's Global Company in 2007/08 and the transition year following the recruitment of the Chief Executive, to take Tomorrow's Company to the next level following up on the Tomorrow's Global Company inquiry. We continue to be underpinned by strong cash balances. The fund balances while representing a major improvement in the position, will be mainly reversed as the money for this project is spent over the next twelve months and it would not therefore be realistic to claim that we have achieved the optimum level of reserves.

**THE CENTRE FOR TOMORROW'S COMPANY
DIRECTORS' REPORT**

3.4 Member recruitment and retention

In addition to the companies that are now participating in the Tomorrow's Global Company inquiry, our retained membership as of March 2007 comprised 38 Foundation and Corporate members.

Foundation Members	Corporate Members		
Arlington Securities	AWG plc	EAGA	SAS
Bovis Lend Lease	Bostock & Pollitt	E.ON	Telos Partners
British Telecommunications	Brunswick	Haden Young	Timberland
Camelot	British Airways	Hermes	Tomkins
Co-operative Financial Services	British Petroleum	HSBC	TTP Group
Unipart Group	BSkyB	Marks & Spencer	USS
Department of Trade and Industry	Cadbury Schweppes	Marshall of Cambridge	Vodafone
FaberMaunsell	CarbonSense	Nichols Group	Water for Fish
John Lewis Partnership	Corporate Culture	Novo Nordisk	Wragge & Co
	Craigeith	Radley Yeldar	

In the course of the year we recruited the following members:

- * BSKyB
- * EAGA
- * Nichols Group
- * Radley Yeldar
- * CarbonSense
- * E.ON

This has increased our net income by £19,000.

Changes in membership fees

- * All members renewed at the same fee or at a greater fee
- * The DTI reduced their annual contribution by £5,000, from £20,000 to £15,000

Membership retention

We lost the following members:

- * Inner Leadership
- * Amicus

The attrition of members has significantly reduced from a rate of nearly 20% four years ago and 6% last year to a rate of 3%, based on total membership contribution. This is a very healthy indicator of the strengthening of member relationships over the last two years and the focus placed upon membership. A corporate events group, established in 2005, has played an invaluable role in building the member influence over the planning of events and a more regular e-bulletin to members also continued during 2006/07.

3.5 Valuing our volunteers

One of the great strengths of Tomorrow's Company is the time and effort willingly donated by Corporate and Individual Members, Honorary Members, Research Faculties, Trustees, Inquiry Team members and Members in Kind. Their assistance covered research, organisational issues and inquiries. They participated when it was relevant for them or the organisation, but also when they had the knowledge and expertise and time to contribute. It is, at present, impossible to quantify the total effort donated by all these stakeholders. We are reviewing ways of better capturing and

**THE CENTRE FOR TOMORROW'S COMPANY
DIRECTORS' REPORT**

reporting this significant input of effort.

We were particularly indebted to volunteers like Philip Sadler, who supported the overall research on several projects and also in speaking engagements. We are also highly in debt to the volunteer interns who supported the organisation and the office so we could function on a day to day basis.

3.6 Gifts in kind

We have been very fortunate with the gifts in kind received from members and supporting organisations. Meetings for research and the TGC Inquiry Team were hosted by Brunswick, BP, Infosys, Wragge & Co, Adelaide Business School, Arpos Pty, AWG, CGA, Conference Board, Franklin and Telos Partners. Other gifts in kind have been included in the accounts totalling £69,206.

3.7 Office

Over the year we remained tenants of the National Association of Pension Funds in Victoria Street, London. Our lease is at a fixed price until September 2009.

THE CENTRE FOR TOMORROW'S COMPANY
DIRECTORS' REPORT

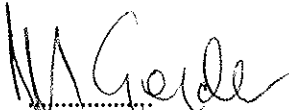
4. AUDITORS

PKF (UK) LLP are eligible for reappointment as auditors and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

So far as each of the Directors is aware at the time the report is approved:

- * there is no relevant audit information of which the Company's auditors are unaware; and
- * the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board of Trustees on 18 September 2007 and signed on its behalf by


.....
Director

**THE CENTRE FOR TOMORROW'S COMPANY
STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity, including its income and expenditure, 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 charity 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 charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE CENTRE FOR TOMORROW'S COMPANY**

We have audited the financial statements of The Centre for Tomorrow's Company for the year ended 31 March 2007 that 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 trustees and auditors

The responsibilities of the trustees (who are also the directors of the company for the purposes of company law) 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 trustees' 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.

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 trustees 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 TO THE MEMBERS OF
THE CENTRE FOR TOMORROW'S COMPANY**

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 March 2007 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.

PKF (UK) LLP
Registered auditors
London, UK

2007

9 JANUARY 2008

THE CENTRE FOR TOMORROW'S COMPANY
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
YEAR ENDED 31 MARCH 2007

	<u>Notes</u>	<u>Total funds</u> 2007 £	<u>Total funds</u> 2006 £
<u>Income & Expenditure</u>			
<u>Incoming Resources from generated funds</u>			
Donations & subscriptions from members	2(a)	220,249	186,174
Other donations		36,880	36,887
Rental and other income	2(b)	550	60,869
Interest & investment income		7,561	5,439
Gifts in kind	2(c)	69,206	18,078
<u>Incoming Resources from charitable activities</u>			
Research projects		407,006	253,505
Advisory		11,900	15,400
Events & speaking fees		13,442	12,197
Publications		2,142	3,286
Total incoming resources		768,936	591,835
<u>Resources expended</u>			
Costs of generating funds			
Costs of generating voluntary income		62,433	78,120
Charitable Activities			
Research		390,011	314,078
Advisory		12,948	12,988
Events & speaking engagements		57,491	39,879
Publications		32,440	17,088
Governance costs		25,157	33,856
Total resources expended	2(d)	580,480	496,009
Net incoming resources		188,456	95,826
Net Movement in funds		188,456	95,826
Fund balances			
Balances brought forward at 1 April 2006		78,800	-17,026
Fund balances at 31 March 2007		267,256	78,800

All funds were unrestricted.

All income and expenditure arises from continuing activities.

All recognised gains and losses are included in the Statement of Financial Activities.

**THE CENTRE FOR TOMORROW'S COMPANY
BALANCE SHEET
31 MARCH 2007**

	Notes	2007		2006	
		£	£	£	£
FIXED ASSETS					
Tangible assets	3	5,941		9,232	
Investment in subsidiary	4	<u>2</u>		<u>2</u>	
			5,943		9,234
CURRENT ASSETS					
Debtors	5	193,951		66,503	
Bank balances and cash in hand		<u>240,043</u>		<u>189,235</u>	
		433,994		255,738	
CREDITORS					
Amounts falling due within one year	6 and 7	<u>(172,681)</u>		<u>(186,172)</u>	
NET CURRENT ASSETS			261,313	69,566	
NET ASSETS			<u>267,256</u>	<u>78,800</u>	
RESERVES					
Restricted Funds	1(d)	-		-	
Unrestricted funds	1(d)	<u>267,256</u>		<u>78,800</u>	
TOTAL FUNDS			<u>267,256</u>	<u>78,800</u>	

Approved and authorised for issue by the Board on 18 September 2007:


Director

THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:-

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the valuation of investments, in accordance with applicable accounting standards and in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005).

Consolidated accounts have not been prepared as the two subsidiaries have remained dormant this year and are immaterial to the group activity.

(b) Going concern

At 31 March 2007 the company had positive unrestricted funds of £267,256.

(c) Depreciation

Individual asset purchases over £500 are capitalised. Depreciation has been provided to write off the cost of tangible and intangible fixed assets over their estimated useful lives using the following rates:

Computer equipment	- 25% per annum of cost
Furniture, fixtures and equipment	- 20% per annum of cost

(d) Donations and subscriptions

Subscriptions from members are credited to income evenly over the period to which they relate.

Donations are accounted for when received unless the donor has specified that the income is to be expended in a future period in which case it is deferred. Donations received for the general purposes of the charitable company are included as unrestricted funds and are available for use at the discretion of the directors in furtherance of the general objectives of the charitable company. Donations for activities restricted by the wishes of the donor are taken to restricted funds.

(e) Other income

Project and other income is included in the financial statements when receivable.

(f) Basis of allocation of expenditure

Expenditure is allocated between 'costs of generating funds', 'charitable activities' and 'Governance costs' either directly or apportioned in accordance with the directors' estimate of the amount attributable to each activity. It is recognised on an accruals basis.

Membership and fundraising costs are those incurred in seeking voluntary contributions and include the costs of disseminating information in support of the charitable activities. Research, Advisory, Events & speaking engagements and Publications are categories with costs directly and indirectly related to those

**THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007**

activities. The indirect costs are those incurred in connection with the administration of the charitable company and compliance with constitutional and statutory requirements. They include salaries, office costs, professional fees and other expenditure.

The expenses are divided over the different categories based on the key deliverables. The key deliverables show all the activities within Tomorrow's Company, who will be working on it and the expected time that each of the staff is working on it. The total is the annual available time.

(g) Pensions

The charitable company contributes to the personal pension plans of all employees.

(h) Gifts in kind and intangible income

Intangible income is included at the value to the charitable company where this can be quantified and a third party is bearing the cost.

(i) Operating leases

Rentals payable in respect of operating leases are charged to the Statement of Financial Activities over the period of the lease.

THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007

2 STATEMENT OF FINANCIAL ACTIVITIES

(a) Donations & Subscriptions from members

A high rate of membership retention next to the new members, increased the total funds in 2007.

(b) Rental and other income

There was no income and expenditure regarding the Buckingham Street premises since this year. This resulted in a lower income under Rental and similar lower expenses under Other Costs.

(c) Gifts in kind

There has been an increase of the high level of support for Tomorrow's Company, including venues. Adelaide Business School, Arpos Pty, AWG, BA, Brunswick, CGA, Conference Board, Franklin, Hendi, Reuters, TelosPartners and Wragge & Co supported us with gifts in kind for a total of £69,206.

(d) Total resources expended

	Staff costs	Office costs	Other costs	Gifts in kind	Total 2007	Total 2006
	£	£	£	£	£	£
Membership and fundraising	51,790	7,936	2,191	516	62,433	78,120
Research	223,087	37,979	68,455	60,490	390,011	314,078
Advisory	11,425	1,134	315	74	12,948	12,988
Events & speaking engagements	38,438	6,805	4,306	7,942	57,491	39,879
Publications	4,065	1,134	27,167	74	32,440	17,088
Governance costs	12,264	1,696	11,087	110	25,157	33,856
Total resources expended	<u>341,069</u>	<u>56,684</u>	<u>113,521</u>	<u>69,206</u>	<u>580,480</u>	<u>496,009</u>

Analysis of staff costs

	2007	2006
	£	£
Wages & Salaries	253,454	211,569
Social security costs	28,679	23,699
Pension costs	11,890	10,343
Temporary & other staff costs	<u>47,046</u>	<u>10,462</u>
	<u>341,069</u>	<u>256,073</u>

Analysis of office costs

	Membership and Fundraising	Research	Advi- sory	Events o speaking eng.	Publi- cations	Gover- nance	Total 2007	Total 2006
	£	£	£	£	£	£	£	£
Premises & storage	4,451	21,302	636	3,816	636	953	31,794	17,355
Tel, copier and postage	1,362	6,518	194	1,167	194	292	9,727	6,442
IT-support/computer lease	800	3,830	115	687	115	169	5,716	8,103
Stationery, subsistence & sundry	537	2,568	77	460	77	113	3,832	4,417
Costs of move	-	-	-	-	-	-	-	1,081
Depreciation	786	3,761	112	675	112	169	5,615	2,434
Total of office costs	<u>7,936</u>	<u>37,979</u>	<u>1,134</u>	<u>6,805</u>	<u>1,134</u>	<u>1,696</u>	<u>56,684</u>	<u>39,832</u>

**THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007**

<i>Analysis of other costs</i>	Membership and Fundraising	Research	Advi- sory	Events & speaking eng.	Publi- cations	Gover- nance	Total 2007	Total 2006
	£	£	£	£	£	£	£	£
Lease Buckingham Street	490	2,345	70	420	70	105	3,500	65,072
Professional support	426	2,037	61	365	61	10,712	13,662	25,204
Research projects	-	57,975	-	-	-	-	57,975	59,492
Communications and website	585	2,796	84	2,930	26,936	125	33,456	46,374
Financial costs	690	3,302	100	591	100	145	4,928	3,962
Total of other costs	2,191	68,455	315	4,306	27,167	11,087	113,521	200,104

Analysis of governance costs

	<u>2007</u>	<u>2006</u>
	£	£
Audit fees	6,880	6,500
Audit fees previous years	-	1,030
Apportionment of staff, office and other costs	18,277	26,326
	<u>25,157</u>	<u>33,856</u>

Overview of relevant expenses

	<u>2007</u>	<u>2006</u>
	£	£
Amounts paid to auditors for other services	3,040	2,810
Operating leases - plant & machinery	3,106	3,486
Property rental	30,000	72,022
Directors' emoluments	81,885	81,885

The average number of full time equivalent employees during the year was 6 (2006 - 5). All members of staff were involved in both charitable activities & activities to generate funds.

Employees with emoluments excluding pension contributions

	<u>2007</u>	<u>2006</u>
totalling £60,000 or more	1	1
£70,001 - £80,000	1	1

Mark Goyder, who is a trustee, received remuneration (including pension contributions) of £81,885 (2006 - £81,885) as allowed by the charitable company's articles of association, for his services as Director, and since 26 February 2007, Founder Director. Both are full time posts.

Expenses were reimbursed to three directors (2006 - three) for travel, subsistence and entertaining and amounted to £5,793 (2006 - £4,710).

THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007

3 TANGIBLE FIXED ASSETS

	Furniture fixtures & equipment	Computer equipment	Total
Cost	£	£	£
At 1st April 2006	8,785	2,423	11,208
Additions	2,325	-	2,325
Disposals	-	-	-
Cost at 31st March 2007	<u>11,110</u>	<u>2,423</u>	<u>13,533</u>
Depreciation			
At 1st April 2006	1,490	487	1,977
Charge for year	5,009	606	5,615
Disposals	-	-	-
At 31st March 2007	<u>6,499</u>	<u>1,093</u>	<u>7,592</u>
Net Book Value			
At 31st March 2007	<u>4,611</u>	<u>1,330</u>	<u>5,941</u>
At 31st March 2006	<u>7,295</u>	<u>1,936</u>	<u>9,232</u>

4 INVESTMENT IN SUBSIDIARY

	2007	2006
	£	£
Charitable company		
Shares in Group undertaking:		
Cost as at 1 April 2006 and 31 March 2007	2	2

At 31 March 2007 the charitable company owned 100% of the ordinary shares in a subsidiary, Tomorrow's Company (Enterprises) Limited ('TCEL'), which has in the past earned revenue for the Centre for Tomorrow's Company through the provision of workshops, seminars, and facilitation and measurement activities, all designed to enable companies to take a more inclusive approach. TCEL has remained dormant since April 2002.

TCEL owns the whole of the issued capital (2 Ordinary shares of 50p each) in Tomorrow's Company Investment Trust Limited ('TCIT'). TCIT has been dormant since incorporation, and has no liabilities or assets other than £1 cash.

5 DEBTORS

	2007	2006
Due within one year	£	£
Accounts receivable	173,238	35,471
Other	-	17,875
Prepayments & accrued income	20,713	13,157
	<u>193,951</u>	<u>66,503</u>

**THE CENTRE FOR TOMORROW'S COMPANY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2007**

6 CREDITORS

Due within one year

	<u>2007</u>	<u>2006</u>
	£	£
Accounts payable	1,531	16,219
Taxes and social security	14,180	10,289
Accruals & other creditors	40,994	11,989
Loans repayable	-	5,000
	<u>56,705</u>	<u>43,497</u>

7 DEFERRED INCOME

	<u>2007</u>	<u>2006</u>
	£	£
Donations, fees & subscriptions received in advance	115,976	85,669
Project income received in advance	-	57,006
	<u>115,976</u>	<u>142,675</u>

The income is deferred in accordance with accounting policy 1(d)

8 COMMITMENTS

	<u>2007</u>	<u>2006</u>
	£	£
The charitable company had the following annual commitments in respect of operating leases		
for equipment		
Expiring within one year	-	-
Expiring between one and two years	-	-
Expiring between two and five years	3,106	3,106
for land and buildings		
Expiring between two and five years	30,000	30,000

9 TAXATION

The charitable company is exempt from corporation tax as all of its income is charitable and is applied for charitable purposes.

10 RELATED PARTY TRANSACTIONS

The outstanding loan of £5,000 from The Goyder Family Trust, being a Trust Fund administered by the close family of Mark Goyder, was repaid during the year.

Paul Howard holds the position of London Managing Partner for corporate member Wragge & Co. Wragge & Co paid £5,000 for their subscription and provided facilities and hospitality for events and meetings.