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03209358

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

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INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
COMPANY INFORMATION

DIRECTORS

M. J. Sillanpaa
S. Zadek
J. A. Nicholls
A. Wilson

SECRETARY

J. A. Nicholls

AUDITORS

Day, Smith & Hunter
Star House
Pudding Lane
Maidstone
Kent
ME14 1LT

REGISTERED OFFICE

Unit A
137 Shepherdess Walk
London
N1 7RQ

REGISTERED NUMBER

03209358

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
ACTING CHAIR'S REPORT FOR THE YEAR ENDED 31 MARCH 2003

The year to March 2003 brings us to the end of the seventh year of AccountAbility's life. Each preceding year has been extraordinary, and this last one has been no exception. The most visible highlight has been the launch of the AA1000 Assurance Standard in March 2003. Two years in the making, the standard is the world's first and only open-source sustainability assurance standard, extending our original work into a broader AA1000 Series that is now also being used in other standards initiatives such as the Global Reporting Initiative and the British Standards Institute SIGMA initiative. AccountAbility's research has advanced significantly over the period, moving from a largely operational focus to embrace a strategic research agenda supporting our growing public policy activities.

AccountAbility's underlying capacities and competencies have grown significantly over the period. Our innovative governance approach has been further strengthened through new Chairs and several other new members of both Council and the Operating Board, and the formation of a Technical Committee to oversee the development of the AA1000 Series. Most important has been the quantitative and qualitative growth of AccountAbility's core Secretariat, including a long-term contract agreed with our Chief Executive. These financial accounts confirm AccountAbility's growing strength. Our gross revenue has climbed by 67% over last year to £739,456, largely underpinned by a growth in our standards and research activities. We have turned the corner on net revenues, moving finally to a small cumulative surplus of £2,398. Much still has to be done in building an adequate financial reserve, but this last year's performance was particularly remarkable in the light of the underlying harsh economic climate.

The Directors' report that they have had related interests with the following organisations during the period under review

Jeremy Nicholls

Director of Cats Pyjamas which had contracted with AccountAbility to produce the Ethical Explorer tool

Andrew Wilson

Fee earning work with Camelot Group Plc in his capacity as Director of Ashridge Centre for Business and Society

Maria Silanpaa

In her capacity as KPMG Director for Global Sustainability Services has undertaken fee earning work with BP; The Body Shop International; The Co-operative Group and Shell International.

Simon Zadek

As CEO, for this year only, included an allowance of 30 days during which he could pursue his own interests, including consultancy, as long as it did not conflict with his role in, and the interests of AccountAbility. During this period he completed work initiated in his freelance capacity with several of AccountAbility's member companies and one non-member company closely involved with the development of the AA1000 Series. The total income earned through these activities did not exceed £10,000.'

We have challenging ambition for the coming year. The continued development and promotion of the AA1000 Assurance Standard, our growing public policy programme, and our research and professional development aims, all speak to our firm belief in our continued leadership role in the field of corporate responsibility and more broadly the 'promotion of accountability for sustainable development'. We hope that our members, partners and supporters are proud to be such, as we are to work with them going forward.'

Jeremy Nicholls
Chair of Operating Board

Tom Delfgaauw
Chair of Council

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2003.

PRINCIPAL ACTIVITY

The principal activity of the company throughout the year under review was that of promoting and developing the science of social and ethical accountability.

DIRECTORS

The directors who held office during the year were:

M. J. Sillanpaa
S. Zadek
Professor C. A. Adams (resigned 14 February 2003)
J. A. Nicholls
A. Wilson

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

Select suitable accounting policies and then apply them consistently;
Make judgements 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. It is also their responsibility to safeguard the assets of the company and hence to take reasonable steps to prevent and detect fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the final statements and other information included in annual reports may differ from legislation in other jurisdictions.

AUDITORS

The auditors, Day, Smith & Hunter, will be proposed for re-election in accordance with Section 385 of the Companies Act 1985.

SPECIAL EXEMPTIONS

The directors have taken advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies in the preparation of this report.

Approved by the board of directors on 28 January 2004 and signed on its behalf by:

S. Zadek
Director

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 4 to 9 of Institute of Social and Ethical Accountability for the year ended 31 March 2003. These financial statements have been prepared under the historical cost convention and on the basis of accounting policies set out herein.

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 auditor's 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and the Financial Reporting Standard for Smaller Entities (effective June 2002).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the 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 the directors' remuneration and transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in 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 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Day, Smith & Hunter
Registered Auditors and
Chartered Accountants

Star House
Pudding Lane
Maidstone
Kent
ME14 1LT

28 January 2004

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Note	2003 £	2002 £
TURNOVER	3	739,456	442,074
Administration expenses		718,820	443,697
OPERATING PROFIT/OPERATING (LOSS)	4	20,636	(1,623)
Other interest receivable and similar income		2,548	2,171
Interest payable and similar charges		(4,922)	(353)
PROFIT on ordinary activities before taxation		18,262	195
TAXATION on profit on ordinary activities	5	-	217
PROFIT/(LOSS) on ordinary activities after taxation		18,262	(22)
DEFICIT BROUGHT FORWARD		(15,864)	(15,842)
SURPLUS/(DEFICIT) CARRIED FORWARD		2,398	(15,864)

The notes on pages 6 to 9 form part of these financial statements.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

BALANCE SHEET - 31 MARCH 2003

	Note	2003		2002	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		21,972		15,987
CURRENT ASSETS					
Debtors	7	366,120		195,252	
Cash at bank and in hand		125,135		58,094	
			491,255		253,346
CREDITORS:					
Amounts falling due within one year	8		510,829		285,197
NET CURRENT (LIABILITIES)			(19,574)		(31,851)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,398		(15,864)
CAPITAL AND RESERVES					
Profit and loss account			2,398		(15,864)

These accounts have been prepared in accordance with the special provisions relating to small companies within part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the board of directors on 28 January 2004 and signed on its behalf.

S. Zadek
Director

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003

1 COMPANY STATUS

The Institute is a company limited by guarantee and the income and property can be applied solely towards its objects and no part can be paid by way of dividend, bonus or otherwise out of any surpluses to members of the Institute.

Each existing member and ceased member for one year has undertaken to contribute up to £1 towards its debts if the Institute is wound up.

2 ACCOUNTING POLICIES

The principal accounting policies which are adopted consistently in the preparation of the financial statements are set out below.

Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention.

Turnover

(i) Members' subscriptions

Members' subscriptions are payable annually in advance, payment being due on the anniversary of individual members' admission to the Institute.

The Institute has adopted the accounting policy of apportioning subscriptions over the accounting period to which they relate. The effects of the deferral of this income are illustrated in the following analysis:-

	2003 £	2002 £
Subscription income deferred from previous year	48,464	92,091
Subscription income raised during the year	132,813	133,866
Subscription income deferred to the following year	(26,189)	(48,464)
	<u>155,088</u>	<u>177,493</u>

(ii) Other operating income

Other operating income, excluding members' subscriptions, represents amounts invoiced, excluding value added tax, in respect of services provided.

(iii) Grants

Revenue grants received in the year are recognised as income for the period to which they relate and are credited to the Income and Expenditure account.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life. The principal annual rates in use are:

Office equipment	25% reducing balance
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Leased assets

Rentals applicable to operating leases, where substantially all the benefit and risk of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003
(continued)

3 TURNOVER

The turnover and profit before taxation is attributable to the one principal activity of the company.

Turnover analysed by class of business:

	<u>2003</u>	<u>2002</u>
	£	£
Membership subscriptions	155,088	177,493
Sale of publications	1,934	5,315
Grants	178,928	95,012
Projects	336,222	156,635
Sundry income	9,401	7,619
Conference and speaker fees	42,883	-
Sponsorship	15,000	-
	<u>739,456</u>	<u>442,074</u>

The grant income arose in the United States of America. All other income arose in the United Kingdom.

4 OPERATING PROFIT/(LOSS)

The operating profit / (loss) is stated after charging:

	<u>2003</u>	<u>2002</u>
	£	£
Directors' emoluments	70,000	10,249
Depreciation and loss on disposal	7,324	8,847
Auditors' remuneration	5,200	4,000
	<u>82,524</u>	<u>23,100</u>

5 TAXATION

	<u>2003</u>	<u>2002</u>
	£	£
Corporation tax on ordinary activities for the year	-	217
	<u>-</u>	<u>217</u>

The Institute has mutual trading status and is therefore exempt from corporation tax on its operating income with members. The charge for taxation in these accounts relates to corporation tax payable on deposit interest received.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003
(continued)

6 TANGIBLE FIXED ASSETS

	Office equipment
	£
<u>Cost</u>	
At 1 April 2002	25,421
Additions	13,309
At 31 March 2003	38,730
<u>Depreciation</u>	
At 1 April 2002	9,434
Charge for the year	7,324
At 31 March 2003	16,758
<u>Net book value</u>	
At 31 March 2003	21,972
At 31 March 2002	15,987

7 DEBTORS

	2003	2002
	£	£
Members' subscriptions	30,400	30,225
Other debtors	335,720	165,027
	366,120	195,252

8 CREDITORS: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	49,839	42,397
Other creditors	427,834	233,542
Corporation tax	228	228
Other tax and social security	32,928	9,030
	510,829	285,197

9 RELATED PARTIES

As a mutual body the Institute is controlled by its members and receives income from them and incurs some expenditure with them.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003
(continued)

10 PENSION SCHEME

The company operates a money purchase (defined contribution) pension scheme. 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 amounts to £3,517 (2002: £ nil).

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
OPERATING INCOME	1	739,456	442,074
OTHER INCOME	2	2,548	2,171
		742,004	444,245
LESS: OVERHEAD EXPENSES			
DIRECTORS' REMUNERATION	3	77,715	11,349
EMPLOYMENT AND RELATED COSTS	4	410,506	290,074
ESTABLISHMENT EXPENSES	5	96,594	73,872
ADMINISTRATION EXPENSES	6	126,681	59,555
FINANCE CHARGES	7	4,922	353
DEPRECIATION	8	7,324	8,847
		723,742	444,050
NET PROFIT		18,262	195

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	<u>2003</u>	<u>2002</u>
	£	£
1. OPERATING INCOME		
Membership subscriptions	155,088	177,493
Sale of publications	1,934	5,315
Grants	178,928	95,012
Projects	336,222	156,635
Sundry income	9,401	7,619
Conference and speaker fees	42,883	-
Sponsorship	15,000	-
	<u>739,456</u>	<u>442,074</u>
2. OTHER INCOME		
Interest receivable	<u>2,548</u>	<u>2,171</u>
3. DIRECTORS' REMUNERATION		
Directors' salaries	70,000	10,249
Employer's national insurance	7,715	1,100
	<u>77,715</u>	<u>11,349</u>
4. EMPLOYMENT AND RELATED COSTS		
Salaries and national insurance	263,929	104,653
Employer's pension costs	3,517	-
Consultancy and project costs	84,370	120,726
Travel and subsistence	51,068	64,695
Recruitment and training expenses	7,622	-
	<u>410,506</u>	<u>290,074</u>
5. ESTABLISHMENT EXPENSES		
Rent and service charge	38,992	28,040
Rates	4,281	3,399
Insurance	1,150	1,191
Repairs and maintenance	3,356	2,961
Council and Board costs	19,065	-
Telephone	12,163	8,488
Website and internet costs	17,587	29,793
	<u>96,594</u>	<u>73,872</u>
6. ADMINISTRATION EXPENSES		
Postage	7,386	1,946
Printing and newsletter costs	60,387	29,605
Office equipment hire	562	-
Sundry expenses	6,515	394
Premises and conference hire	5,689	-
Advertising	6,307	-
Bad debts	10,000	15,015
Auditors' remuneration	5,200	4,000
Legal and professional charges	24,635	8,595
	<u>126,681</u>	<u>59,555</u>

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003
(continued)

	<u>2003</u>	<u>2002</u>
	£	£
7. FINANCE CHARGES		
Bank charges	1,980	353
VAT surcharges and interest	2,942	-
	<u>4,922</u>	<u>353</u>
8. DEPRECIATION		
Office equipment	7,324	5,330
Loss on sale of office equipment	-	3,517
	<u>7,324</u>	<u>8,847</u>