

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Financial Statements

For the year ended 31 March 2004

Company Registration Number: 03209358

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Directors

M. J. Sillanpaa
S. Zadek
J. A. Nicholls
A. Wilson
S. Killick (appointed 6 May 2004)
R. S. Cameron (appointed 6 May 2004)

Secretary and registered office

J. A. Nicholls
Unit A
137 Shepherdess Walk
London
N1 7RQ

Registered number

03209358

Auditors

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

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
ACTING CHAIR'S REPORT FOR THE YEAR ENDED 31 MARCH 2004

This has been another exciting year for accountability. Last year we launched the AA1000 Assurance Standard and we have since been developing guidance notes for the use of this standard, in particular a guidance note on materiality which followed our work on redefining materiality for sustainability reporting. Many of the biggest companies that provide assurance services have backed and are now using this standard and we have continued to work closely with the Global Reporting Initiative. We have also moved into new areas, leading work on responsible competitiveness with subsequent work in Brazil, on partnership accountability and are now running Great Place to Work in the UK.

This activity has resulted in an increase in our turnover and an increase in the staff team supported by an internship programme and an increasing number of associates and, importantly, our membership has now again started to increase. As the international spread of our work continues to grow the role of our Council becomes ever more important.

Our gross revenue has climbed by £48k to £787k, representing a 6% growth over the 2002-2003, largely underpinned by a growth in services. The balance sheet is stronger with net current assets of £14k, a turnaround from net current liabilities of £20k in the previous year, but our need to increase reserves remains a priority.

This year is the first year that we have merged our accountability accounts with the financial accounts by expanding the directors report to cover the material issues arising in our accountability accounts.

The process that we will follow is to expand the financial highlights in the accountability accounts to more closely reflect this set of accounts as well as align the period. This has been done with the accountability accounts being stretched to 15 months ending 31st March 2004. The final stage which will occur for the 2005/6 accounts will be to undertake a stakeholder review board facilitated by an independent person to provide assurance to the report prior to movement to a single integrated report when opportunity arises.

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

Jeremy Nicholls	as Director of Cats Pyjamas which had contracted with AccountAbility to produce the Ethical Explorer tool
Andrew Wilson	has been involved in fee earning work with AccountAbility member Camelot Group plc
Maria Silanpaa	as an individual or part of client engagement lead from KPMG Sustainability Advisory Services UK has been involved in fee earning work with the following AccountAbility members: BP;The Body Shop International plc; The Co-operative Group; Shell International Ltd and National Grid Transco plc
Simon Zadek	is now a full time CEO with no outside interests

The next year will be no less challenging particularly as Great Place to Work and our involvement in Access Develop. Services are also expected to continue to be a growing area. We will continue to lead on new areas of accountability as well as developing our work on Responsible Competitiveness and Accountability and Trade Policy.

This is an exciting programme and we look forward to working with our members, partners and supporters over the coming year.

Jeremy Nicholls
Chair of Operating Board

Tom Delfgaauw
Chair of Council

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2004.

Principal activity

The principal activity of the company is 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

J. A. Nicholls

A. Wilson

S. Killick (appointed 6 May 2004)

R. S. Cameron (appointed 6 May 2004)

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

A resolution to reappoint Day, Smith & Hunter as auditors of the company will be proposed at the forthcoming annual general meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board

Approved by the board of directors on 25 January 2005 and signed on its behalf.

S. ZADEK

Director

Independent auditors' report to the shareholders of Institute of Social and Ethical Accountability

We have audited the financial statements on pages 5 to 9 of Institute of Social and Ethical Accountability for the year ended 31 March 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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 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 2004 and of the 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

25 January 2005.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Profit and loss account for the year ended 31 March 2004

	Notes	2004	2003
		£	£
TURNOVER	3	787,331	739,456
Administrative expenses		756,548	720,800
		756,548	720,800
OPERATING PROFIT	4	30,783	18,656
Other interest receivable and similar income		5,782	2,548
Interest payable and similar charges		(657)	(2,942)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		35,908	18,262
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	-	-
PROFIT FOR THE FINANCIAL YEAR		35,908	18,262

The notes on pages 7 to 9 form part of these financial statements.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Balance sheet at 31 March 2004

	Notes	2004	2003
		£	£
Fixed assets			
Tangible assets	7	<u>24,284</u>	21,972
Current assets			
Debtors	8	317,587	366,120
Cash at bank and in hand		<u>274,410</u>	125,135
Creditors: amounts falling due within one year	9	<u>591,997</u> <u>(577,975)</u>	491,255 (510,829)
Net current assets/(2003 liabilities)		<u>14,022</u>	(19,574)
Total assets less current liabilities		<u><u>38,306</u></u>	<u><u>2,398</u></u>
Capital and reserves			
Profit and loss account	10	<u><u>38,306</u></u>	<u><u>2,398</u></u>

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 25 January 2005 and signed on its behalf.

S. ZADEK - Director

The notes on pages 7 to 9 form part of these financial statements.

1 Company status

The Institute is a company limited by guarantee and the income and property can be applied solely towards its principal activity 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 £1 towards its debts if the Institute is wound up.

2 Accounting policies

a) Basis of accounting

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

b) 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:-

	2004	2003
	£	£
Subscription income deferred from previous year	26,189	48,464
Subscription income raised during the year	146,816	132,813
Subscription income deferred to the following year	(48,333)	(26,189)
	124,672	155,088
	124,672	155,088

(ii) Project income, sponsorship and sale of publications

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.

c) Depreciation of 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

d) 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.

e) Hire purchase and lease transactions

Rentals under operating leases are charged to the profit and loss account as they fall due.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

**Notes to the financial statements
for the year ended 31 March 2004 (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:

	2004	2003
	£	£
Membership subscriptions	124,672	155,088
Sale of publications	23,338	1,934
Grants	210,989	178,928
Project income and sponsorship	428,273	394,105
Sundry income	59	9,401
	787,331	739,456
	787,331	739,456

The grant income and £52,500 (2003 £nil) of the project income and sponsorship arose in the United States of America. All other income arose in the United Kingdom.

4 Operating profit

This is stated after charging:

	2004	2003
	£	£
Depreciation	8,095	7,324
Auditors' remuneration - Audit fee	5,000	5,200
	13,095	12,524
	13,095	12,524

5 Directors' emoluments

	2004	2003
	£	£
Emoluments	113,000	70,000
	113,000	70,000
	113,000	70,000

6 Tax on profit on ordinary activities

The Institute has mutual trading status and is therefore exempt from corporation tax on its operating income with members.

7 Tangible fixed assets

	Office equipment
	£
Cost:	
At 1 April 2003	38,730
Additions	10,407
	49,137
At 31 March 2004	49,137
Depreciation:	
At 1 April 2003	16,758
Provision for the year	8,095
	24,853
At 31 March 2004	24,853
Net book value:	
At 31 March 2004	24,284
	24,284
At 31 March 2003	21,972
	21,972

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

**Notes to the financial statements
for the year ended 31 March 2004 (continued)**

8 Debtors

	2004	2003
	£	£
Trade debtors	20,310	30,400
Other debtors	297,277	335,720
	317,587	366,120

9 Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	34,905	49,839
Other creditors	528,795	427,834
Corporation tax	-	228
Other tax and social security	14,275	32,928
	577,975	510,829

10 Reserves

	Profit and loss account
	£
At 1 April 2003	2,398
Retained profit for the year	35,908
At 31 March 2004	38,306

11 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

**Profit and loss account
for the year ended 31 March 2004**

	Note	2004	2003
		£	£
OPERATING INCOME	1	787,331	739,456
OTHER INCOME	2	5,782	2,548
		793,113	742,004
LESS: OVERHEADS			
DIRECTORS' REMUNERATION	3	115,029	77,715
EMPLOYMENT AND RELATED COSTS	4	461,220	410,506
ESTABLISHMENT EXPENSES	5	89,122	96,594
ADMINISTRATION EXPENSES	6	76,046	126,681
FINANCE CHARGES	7	7,693	4,922
DEPRECIATION	8	8,095	7,324
		757,205	723,742
NET PROFIT BEFORE TAXATION		35,908	18,262

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

**Profit and loss account
for the year ended 31 March 2004 (continued)**

	2004	2003
	£	£
1. OPERATING INCOME		
Membership subscriptions	124,672	155,088
Sale of publications	23,338	1,934
Grants	210,989	178,928
Project income and sponsorship	428,273	394,105
Sundry income	59	9,401
	<u>787,331</u>	<u>739,456</u>
2. OTHER INCOME		
Interest receivable	5,782	2,548
	<u>5,782</u>	<u>2,548</u>
3. DIRECTORS' REMUNERATION		
Directors' salaries	102,500	70,000
Employer's national insurance	12,529	7,715
	<u>115,029</u>	<u>77,715</u>
4. EMPLOYMENT AND RELATED COSTS		
Salaries and national insurance	327,405	267,446
Consultancy and project costs	74,292	84,370
Travel and subsistence	55,733	51,068
Recruitment and training expenses	3,790	7,622
	<u>461,220</u>	<u>410,506</u>
5. ESTABLISHMENT EXPENSES		
Rent and service charge	41,769	38,992
Rates	4,316	4,281
Insurance	692	1,150
Repairs and maintenance	11,117	3,356
Council and Board costs	16,356	19,065
Telephone	8,859	12,163
Website and internet costs	6,013	17,587
	<u>89,122</u>	<u>96,594</u>
6. ADMINISTRATION EXPENSES		
Postage	7,039	7,386
Printing and stationery	27,017	58,354
Newsletter costs	1,817	2,033
Office equipment hire	4,310	562
Sundry expenses	3,716	6,515
Premises and conference hire	-	5,689
Auditors' remuneration	5,000	5,200
Legal and professional charges	22,259	24,635
Advertising	-	6,307
Bad debts	4,888	10,000
	<u>76,046</u>	<u>126,681</u>

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY**Profit and loss account
for the year ended 31 March 2004 (continued)**

	<u>2004</u>	<u>2003</u>
	£	£
7. FINANCE CHARGES		
Bank charges	7,036	1,980
VAT surcharges and interest	657	2,942
	<u>7,693</u>	<u>4,922</u>
8. DEPRECIATION		
Fixtures and fittings	<u>8,095</u>	<u>7,324</u>