

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Financial Statements

For the year ended 31 March 2006

Company Registration Number: 03209358

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Directors

S. Zadek
J. A. Nicholls
S. Killick
R. S. Cameron

Secretary and registered office

S. White
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 CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2006

AccountAbility produces 'Accountability Accounts' that cover our overall performance in relation to our mission, strategy and goals, and set against and measured through stakeholders' concerns and dialogue. These statutory audited financial accounts are part of these Accountability Accounts, and cover our financial performance for the financial year ended 31 March 2006.

Our financial performance is important since it determines our viability and details the financed resources we have mobilised to address our mission and goals. Importantly, also, our financial records help us and our stakeholders understand our underlying resourcing approach, and the relative strengths and weaknesses of its various parts.

Our gross revenue this financial year has grown by 59% compared to the last period to £2,202,367. Half of this growth is attributable to continued growth in our core activities, with the remainder due to combined growth in our partner initiative, Keystone, and our joint venture Great Place to Work UK.

Profits add to our reserves since none are distributed to members. This year's net profits were £86,492. This brings our capital and reserves to £183,214, a significant improvement but still well below the target of 25% of core gross revenue, which against this financial year's numbers amounts to £374,000.

Our underlying revenue model is complex, dynamic and challenging. Our policy review of our services concluded that our membership model and standards work should continue to limit our services mandate to exclude assurance and mainstream corporate consulting. Our development into broader accountability issues, symbolized by our highly successful international event 'Accountability 21: Reinventing Accountability for the 21st Century', further challenges us to develop new revenue streams that can support this work, much of which is long-term in nature. Innovation and entrepreneurship counter-balance these self-imposed constraints and challenges. The second phase of the Global Leadership Network, for example, offers major growth opportunities for this mission-aligned joint venture, following in the footsteps of another joint venture, the Accountability Rating, which is now extending into Russia, South Africa and China.

Finally, our continued success has much to do with our leadership, both in the Secretariat and through our Board and Council. Our Chair of the Board, Jeremy Nicholls, has decided to step down after steering Accountability over the last four, critical years. This Chairmans' Statement provides a suitable opportunity to acknowledge the key role played by Jeremy and express our sincere thanks on behalf of the team, and AccountAbility's Board, council and entire membership.

Jeremy Nicholls
Chair of the Operating Board

Tom Delfgaauw
Chair of the Council

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2006.

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:

- S. Zadek
- J. A. Nicholls
- S. Killick
- R. S. Cameron

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.

Disclosure of information to auditors

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

S. ZADEK
Director

Approved by the Board on

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

We have audited the financial statements on pages 5 to 10 of Institute of Social and Ethical Accountability for the year ended 31 March 2006. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are 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, 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 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 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:

- 1 the information given in the directors' report for the financial year ended 31 March 2006 is consistent with the financial statements;
- 1 the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended; and
- 1 the financial statements have been properly prepared in accordance with the Companies Act 1985.

Day, Smith & Hunter
Registered Auditors and
Chartered Accountants

MAIDSTONE

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INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Profit and loss account for the year ended 31 March 2006

	Notes	2006	2005
		£	£
Turnover	2	2,202,367	1,383,917
Administrative expenses		2,125,690	1,335,076
		2,125,690	1,335,076
Operating profit	3	76,677	48,841
Other interest receivable and similar income		11,527	9,575
Profit on ordinary activities before taxation		88,204	58,416
Taxation on profit on ordinary activities	5	1,712	-
Profit for the financial year	11	86,492	58,416

The notes on pages 7 to 10 form part of these financial statements.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Balance sheet at 31 March 2006

	Notes	2006	2005
		£	£
Fixed assets			
Tangible assets	6	54,546	55,861
Current assets			
Debtors	7	316,959	461,179
Cash at bank and in hand		426,829	603,422
		743,788	1,064,601
Creditors: amounts falling due within one year	8	(125,263)	(125,365)
Net current assets		618,525	939,236
Total assets less current liabilities		673,071	995,097
Creditors: amounts falling due after more than one year	9	(75,000)	-
Accruals and deferred income	10	(414,857)	(898,375)
Net assets		183,214	96,722
Capital and reserves			
Profit and loss account	11	183,214	96,722

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 January 2005).

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

_____ **S. Zadek - Director**

The notes on pages 7 to 10 form part of these financial statements.

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 periods to which they relate. The effects of the deferral of this income are illustrated in the following analysis:-

	2006	2005
	£	£
Subscription income deferred from previous year	52,404	48,333
Subscription income raised during the year	232,145	166,850
Subscription income deferred to the following year	(86,360)	(52,404)
	198,189	162,779
	198,189	162,779

(ii) Project income, sponsorship and sale of publications

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 profit and loss 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:

Leasehold improvements	Over the period of the lease
Equipment, fixtures and fittings	25%/33% 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 2006 (continued)

2 Turnover

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

Turnover analysed by class of business:

	2006	2005
	£	£
Membership subscriptions	198,189	162,779
Training fees	83,743	42,997
Sale of publications	9,052	6,818
Project income and sponsorship	1,134,585	719,230
Keystone income	519,483	282,377
Great Place to Work income	249,740	160,640
Sundry income	7,575	9,076
	2,202,367	1,383,917

The project income arose on work done in the United Kingdom and the United States of America.

3 Operating Profit

This is stated after charging:

	2006	2005
	£	£
Depreciation	30,096	11,555
Auditors' remuneration	5,160	5,000
	35,256	16,555

4 Directors' emoluments

	2006	2005
	£	£
Emoluments	118,500	111,000

5 Tax on profit on ordinary activities

	2006	2005
	£	£
United Kingdom corporation tax at current rates	-	-
Adjustments in respect of previous years	1,712	-
	1,712	-

The Institute has mutual trading status and is therefore exempt from corporation tax on its operating income with members, the tax charge of £1,712 arose on income generated from non-member activities.

6 Tangible fixed assets

	Leasehold improvements	Equipment fixtures and fittings	Total
	£	£	£
Cost:			
At 1 April 2005	13,271	78,998	92,269
Additions	-	28,781	28,781
At 31 March 2006	13,271	107,779	121,050
Depreciation:			
At 1 April 2005	1,476	34,932	36,408
Provision for the year	2,397	27,699	30,096
At 31 March 2006	3,873	62,631	66,504
Net book value:			
At 31 March 2006	9,398	45,148	54,546
At 31 March 2005	11,795	44,066	55,861

7 Debtors

	2006	2005
	£	£
Trade debtors	185,476	311,291
Other debtors	34,413	4,728
Accrued income	97,070	145,160
	316,959	461,179

8 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	55,204	53,192
Other creditors	24,278	34,235
Other tax and social security	45,781	37,938
	125,263	125,365

9 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	75,000	-

The Charity Bank loan is secured by a negative pledge over the assets of the company and bears interest at 6% per annum. The loan is repayable at the discretion of the borrower by 30 October 2010.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

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

10 Accruals and deferred income

	<u>2006</u>	<u>2005</u>
	£	£
Deferred income	<u>414,857</u>	<u>898,375</u>

11 Profit and loss account

	<u>2006</u>	<u>2005</u>
	£	£
At 1 April 2005	96,722	38,306
Profit for the year	<u>86,492</u>	<u>58,416</u>
At 31 March 2006	<u>183,214</u>	<u>96,722</u>

12 Related parties

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

Throughout the period Simon Killick was a partner with the law firm Olswang. Whilst the services of the firm have been provided on a pro bono basis, Olswang has charged for a trade mark registration at its normal rates. The amount is not considered material.

13 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.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Profit and loss account for the year ended 31 March 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		£	£
Sales	1	2,202,367	1,383,917
Other Income	2	11,527	9,575
		2,213,894	1,393,492
Less: Overheads			
Directors' Remuneration	3	132,849	124,601
Employment and related costs	4	1,719,272	935,490
Establishment Expenses	5	169,152	114,744
Administration Expenses	6	71,120	146,841
Finance Charges	7	3,201	1,845
Depreciation		30,096	11,555
		2,125,690	1,335,076
Net profit before taxation		88,204	58,416

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Profit and loss account for the year ended 31 March 2006 (continued)

	2006	2005
	£	£
1. Sales		
Membership subscriptions	198,189	162,779
Training fees	83,743	42,997
Sale of publications	9,052	6,818
Project income and sponsorship	1,134,585	719,230
Sundry income	7,575	9,076
Keystone income	519,483	282,377
Great Place to Work income	249,740	160,640
	<u>2,202,367</u>	<u>1,383,917</u>
2. Other Income		
Interest receivable	11,527	9,575
	<u>11,527</u>	<u>9,575</u>
3. Directors' Remuneration		
Directors' salaries	118,500	111,000
Employer's national insurance	14,349	13,601
	<u>132,849</u>	<u>124,601</u>
4. Employment and related costs		
Salaries and national insurance	1,112,240	671,367
Consultancy and project costs	435,154	139,161
Staff and volunteer expenses	111,586	121,837
Recruitment and training expenses	60,292	3,125
	<u>1,719,272</u>	<u>935,490</u>
5. Establishment Expenses		
Rent and service charge	75,262	43,639
Rates	8,556	6,185
Electricity	6,887	4,582
Insurance	10,916	4,704
Repairs and maintenance	7,109	11,296
Council and Board costs	15,294	21,258
Telephone	17,425	10,242
Website, internet and computer costs	27,703	12,838
	<u>169,152</u>	<u>114,744</u>
6. Administration Expenses		
Licence fees	-	20,000
Event expenses	-	19,117
Postage	3,904	5,627
Printing and stationery	35,177	46,614
Office equipment hire	5,772	4,833
Sundry expenses	17,505	7,064
Purchases of products and services	10,958	8,890
Auditors' remuneration	5,160	5,000
Legal and professional charges	4,964	9,862
Advertising	2,019	1,855
Bad debts	13,875	8,519
Profit on exchange	(28,214)	9,460
	<u>71,120</u>	<u>146,841</u>
7. Finance Charges		
Bank charges	3,201	1,845
	<u>3,201</u>	<u>1,845</u>