

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Financial Statements

For the year ended 31 March 2005

Company Registration Number: 03209358

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Directors

M. J. Sillanpaa (resigned 21 July 2004)
S. Zadek
J. A. Nicholls
A. Wilson (resigned 21 July 2004)
S. Killick (appointed 6 May 2004)
R. S. Cameron (appointed 6 May 2004)

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 CHAIR'S REPORT FOR THE YEAR ENDED 31 MARCH 2005

AccountAbility produces annual '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 accounts are part of these Accountability Accounts, and cover our financial performance for the financial year ended 31 March 2005.

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 has grown this financial year, from £787,331 to £1,383,917. Two of the main developments underlying this big jump of 76% are the collaboration with Keystone, the independent initiative working on civil society accountability currently hosted by us, and the continued success and growth of our collaborative initiative, Great Place to Work UK. Our continued expansion of services is also reflected in the growth in gross revenue, which is linked to our success in strengthening our relationships with members in practical, activity-based ways.

Profits add to our reserves and no profits are distributed to members. Our reserves target is 25% of core gross revenue (excluding partnerships and subsidiaries like Keystone and Great Place to Work), which against this financial year would be £235,000. This year's net profit of £58,416, a significant increase over last year, is a contribution to meeting this target, although our net current assets remain far too low and so need to increase. This remains a challenge given that our gross margins on some activities, for example standards initiatives are low and yet the activities are central to our work.

Our underlying revenue model is complex and dynamic. This reflects in part our constitutional mandate, that, because of our standards work, restricts our ability to generate revenue through mainstream consulting activities. More positively, it reflects an entrepreneurial approach to addressing our mission and goal, and also an effective means to reducing risks through continued revenue source diversification. Our continued financial success reflects the continued growth in quality of our core team, as well as the strength and productivity of our relationships with key partners, both individual and institutional.

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 2005.

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 (resigned 21 July 2004)

S. Zadek

J. A. Nicholls

A. Wilson (resigned 21 July 2004)

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 2 September 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 10 of Institute of Social and Ethical Accountability for the year ended 31 March 2005. 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 2005 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

2 September 2005.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Profit and loss account for the year ended 31 March 2005

	Notes	2005	2004
		£	£
Turnover	3	1,383,917	787,331
Administrative expenses		1,325,616	756,548
		1,325,616	756,548
Operating Profit	4	58,301	30,783
Other interest receivable and similar income		9,575	5,782
Interest payable and similar charges		(9,460)	(657)
Profit on ordinary activities before taxation		58,416	35,908
Taxation on profit on ordinary activities	6	-	-
Profit for the financial year		58,416	35,908

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

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

Balance sheet at 31 March 2005

	Notes	2005	2004
		£	£
Fixed assets			
Tangible assets	7	55,861	24,284
Current assets			
Debtors	8	461,179	317,587
Cash at bank and in hand		603,422	274,410
Creditors: amounts falling due within one year	9	1,064,601 (1,023,740)	591,997 (577,975)
Net current assets		40,861	14,022
Total assets less current liabilities		96,722	38,306
Capital and reserves			
Profit and loss account	10	96,722	38,306

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 2 September 2005 and signed on its behalf.

S. ZADEK - Director

The notes on pages 7 to 10 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:-

	2005	2004
	£	£
Subscription income deferred from previous year	48,333	26,189
Subscription income raised during the year	127,879	146,816
Subscription income deferred to the following year	(52,404)	(48,333)
	123,808	124,672

(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:

Leasehold improvements	Over the period of the lease
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 2005 (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>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Membership subscriptions	123,808	124,672
Training fees	42,997	-
Sale of publications	6,818	23,338
Project income and sponsorship	758,201	639,262
Keystone income	282,377	-
Great Place to Work income	160,640	-
Sundry income	9,076	59
	<u>1,383,917</u>	<u>787,331</u>

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

4 Operating profit

This is stated after charging:

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Depreciation	11,555	8,095
Auditors' remuneration - Audit fee	5,000	5,000
	<u>16,555</u>	<u>13,100</u>

5 Directors' emoluments

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Emoluments	111,000	113,000

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.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY

**Notes to the financial statements
for the year ended 31 March 2005 (continued)**

7 Tangible fixed assets

	Leasehold improvements	Office equipment	Total
	£	£	£
Cost:			
At 1 April 2004	-	49,137	49,137
Additions	13,271	29,861	43,132
At 31 March 2005	13,271	78,998	92,269
Depreciation:			
At 1 April 2004	-	24,853	24,853
Provision for the year	1,476	10,079	11,555
At 31 March 2005	1,476	34,932	36,408
Net book value:			
At 31 March 2005	11,795	44,066	55,861
At 31 March 2004	-	24,284	24,284

8 Debtors

	2005	2004
	£	£
Trade debtors	33,629	20,310
Other debtors	427,550	297,277
	461,179	317,587

9 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	53,192	34,905
Other creditors	932,610	528,795
Other tax and social security	37,938	14,275
	1,023,740	577,975

10 Reserves

	Profit and loss account
	£
At 1 April 2004	38,306
Retained profit for the year	58,416
At 31 March 2005	96,722

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.

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.

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
Combined Activities and Projects

Profit and loss account
for the year ended 31 March 2005

	Note	2005 £	2004 £
OPERATING INCOME	1	1,383,917	787,331
OTHER INCOME	2	9,575	5,782
		1,393,492	793,113
LESS: OVERHEADS			
DIRECTORS' REMUNERATION	3	124,601	115,029
EMPLOYMENT AND RELATED COSTS	4	935,490	461,220
ESTABLISHMENT EXPENSES	5	114,744	89,122
ADMINISTRATION EXPENSES	6	137,381	76,046
FINANCE CHARGES	7	11,305	7,693
DEPRECIATION	8	11,555	8,095
		1,335,076	757,205
NET PROFIT BEFORE TAXATION		58,416	35,908

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
Combined Activities and Projects

Profit and loss account
for the year ended 31 March 2005 (continued)

	2005	2004
	£	£
1. OPERATING INCOME		
Membership subscriptions	123,808	124,672
Training Fees	42,997	-
Sale of publications	6,818	23,338
Project income and sponsorship	758,201	639,262
Sundry income	9,076	59
Keystone income	282,377	-
Great Place to Work income	160,640	-
	1,383,917	787,331
2. OTHER INCOME		
Interest receivable	9,575	5,782
	9,575	5,782
3. DIRECTORS' REMUNERATION		
Directors' salaries	111,000	102,500
Employer's national insurance	13,601	12,529
	124,601	115,029
4. EMPLOYMENT AND RELATED COSTS		
Salaries and national insurance	671,367	327,405
Consultancy and project costs	139,161	74,292
Staff and volunteer expenses	121,837	55,733
Recruitment and training expenses	3,125	3,790
	935,490	461,220
5. ESTABLISHMENT EXPENSES		
Rent and service charge	43,639	41,769
Rates	6,185	4,316
Electricity	4,582	-
Insurance	4,704	692
Repairs and maintenance	11,296	11,117
Council and Board costs	21,258	16,356
Telephone	10,242	8,859
Website, internet and computer costs	12,838	6,013
	114,744	89,122
6. ADMINISTRATION EXPENSES		
Licence fees	20,000	-
Event expenses	19,117	-
Postage	5,627	7,039
Printing and stationery	46,614	28,834
Office equipment hire	4,833	4,310
Sundry expenses	7,064	3,716
Purchases of products and services	8,890	-
Auditors' remuneration	5,000	5,000
Legal and professional charges	9,862	22,259
Advertising	1,855	-
Bad debts	8,519	4,888
	137,381	76,046

INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY
Combined Activities and Projects

Profit and loss account
for the year ended 31 March 2005 (continued)

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
7. FINANCE CHARGES		
Bank charges	1,845	7,036
VAT surcharges and interest	-	657
Loss on exchange	9,460	-
	<u>11,305</u>	<u>7,693</u>
8. DEPRECIATION		
Fixtures and fittings	<u>11,555</u>	<u>8,095</u>