

**INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY**

**Financial Statements**

**For the year ended 31 March 2008**

**Company Registration Number: 03209358**

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**Directors**

S. Zadek  
R. S. Cameron  
J. Jansen-Rogers  
P. M. Lacy  
J.V. Jennings

**Secretary and registered office**

S. Briskman  
250 - 252 Goswell Road  
London  
EC1V 7EB

**Registered number**

03209358

**Auditors**

Day, Smith & Hunter  
Globe House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent ME14 3EN

AccountAbility publishes regular 'AccountAbility Accounts', which detail our financial and non-financial performance in relation to our mission, strategy and goals. These Statutory Audited Accounts, covering our financial performance for the year ending 31<sup>st</sup> March 2008, are voluntarily disclosed and should be read as part of the Accountability Accounts ([www.accountability21.net](http://www.accountability21.net)), which are subjected to a broad assurance process that uses a Stakeholder Review Panel guided by the AA1000 Assurance Standard.

AccountAbility is a not-for-profit organisation established to promote accountability innovations that advance sustainable development. Financial reporting is crucially important, offering our stakeholders the opportunity to see how and for what purposes we have mobilised financial resources in addressing our mission and implementing our strategy. The statutory audit process, furthermore, allows stakeholders to determine whether our financial accounts and underlying professionalism and probity are in order.

AccountAbility's headline financial results for this year are that our gross revenue has declined by almost 7% to just under £2.2 million, whilst our net profits have increased several fold to £100,952.

- Reduced gross revenue is due to the incorporation of Keystone as a separate legal entity, effectively removing it from our books, and the sale last year of our stake in Great Place to Work. In fact, excluding these exceptional items, our gross revenue last year grew by 35%.
- Increased profits are added to our reserves, since they are not distributed to members, bringing our capital and reserves to £300,269, a significant improvement but still well below the target of 25% of core gross revenue (which against this financial year's figures would be £545,247).

The continued improvement in our financial health is first and foremost a testimony to the hard and innovative work of the entire team, now spread across four continents and fifteen time zones. Our growing reputation has driven up investors' confidence in our capabilities and focus, which has in turn increased the number, scope and average size of financial contributions from foundations, public institutions and private businesses, supporting longer-term programmes underpinned by increasingly strategic views on how to make a difference.

We expect to continue to increase our impact in the future and have accordingly set an aggressive budget for the current financial year, 2008/9. This budget projects a growth of gross revenue to £3.3 million and an increased net margin to just under £200,000. We are well aware that these stretch targets are being set in the context of an increasingly downbeat economic environment, which will negatively impact some sources of revenue and the attention and strength of our members and partners, as well as those we seek to influence.

Dr J.V Jennings

Chair, Operating Board

The directors present their annual report together with the financial statements of the company for the year ended 31 March 2008.

**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  
S. Briskman (resigned 7 January 2008)  
R. S. Cameron  
J. Jansen-Rogers  
P. M. Lacy  
J.V. Jennings  
T. Kitchin (resigned 7 January 2008)

**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 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements 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.

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**

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We have audited the financial statements of Institute of Social and Ethical Accountability for the year ended 31 March 2008 which are set out on pages 5 to 10. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

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**

The directors' responsibilities for preparing 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 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.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' 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 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:

- 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 2008 and of its profit 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.

**Day, Smith & Hunter**  
**Registered Auditors and**  
**Chartered Accountants**

**Globe House**  
**Eclipse Park**  
**Sittingbourne Road**  
**Maidstone**  
**Kent ME14 3EN**

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**Profit and loss account for the year ended 31 March 2008**

	Notes	2008	2007
		£	£
<b>Turnover</b>	2	<b>2,180,990</b>	2,333,141
Administrative expenses		<b>2,100,966</b>	2,329,555
		<b>2,100,966</b>	2,329,555
<b>Operating profit</b>	3	<b>80,024</b>	3,586
Other interest receivable and similar income		<b>25,476</b>	16,277
<b>Profit on ordinary activities before taxation</b>		<b>105,500</b>	19,863
Taxation on profit on ordinary activities	5	<b>4,548</b>	3,761
<b>Profit for the financial year</b>	10	<b>100,952</b>	16,102

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

**Balance sheet at 31 March 2008**

	Notes	2008		2007	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		<b>32,595</b>		42,859
<b>Current assets</b>					
Debtors	7	<b>470,607</b>		564,266	
Cash at bank and in hand		<b>885,284</b>		312,519	
			<b>1,355,891</b>		876,785
<b>Creditors:</b> amounts falling due within one year	8		<b>(351,958)</b>		(223,179)
<b>Net current assets</b>			<b>1,003,933</b>		653,606
<b>Total assets less current liabilities</b>			<b>1,036,528</b>		696,465
<b>Accruals and deferred income</b>	9		<b>(736,259)</b>		(497,149)
<b>Net assets</b>			<b>300,269</b>		199,316
<b>Capital and reserves</b>					
Profit and loss account	10		<b>300,269</b>		199,316

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 2007).

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

\_\_\_\_\_ **S. Zadek - Director**

## 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 2007).

### 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:-

	2008	2007
	£	£
Subscription income deferred from previous year	92,860	86,360
Subscription income raised during the year	271,434	231,371
Subscription income deferred to the following year	(144,957)	(92,860)
	219,337	224,871

#### (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 into account in arriving at the operating profit.

### e) Operating leases

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

### f) Pension scheme

The company provides a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable.

**2 Turnover**

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

Turnover analysed by class of business:

	<u>2008</u>	<u>2007</u>
	£	£
Membership subscriptions	219,336	224,871
Training fees	17,500	29,716
Sale of publications	1,494	3,008
Project income and sponsorship	1,916,264	1,359,668
Keystone income	-	485,399
Great Place to Work income	-	230,332
Sundry income	26,396	147
	<u>2,180,990</u>	<u>2,333,141</u>

Of the company's total turnover 26% is attributable to the UK market, 36% is attributable to the US market and 38% is attributable to the rest of the world.

**3 Operating Profit**

This is stated after charging:

	<u>2008</u>	<u>2007</u>
	£	£
Depreciation	25,243	29,889
Loss on disposal of tangible fixed assets	-	17,793
Auditors' remuneration	6,996	5,496
	<u>6,996</u>	<u>5,496</u>

**4 Directors' emoluments**

	<u>2008</u>	<u>2007</u>
	£	£
Emoluments	128,381	119,925
	<u>128,381</u>	<u>119,925</u>

The above emoluments include £98,400 paid to the directors for the provision of consultancy fees and related services.

**5 Tax on profit on ordinary activities**

	<u>2008</u>	<u>2007</u>
	£	£
United Kingdom corporation tax at current rates	-	-
Adjustments in respect of previous years	4,548	3,761
	<u>4,548</u>	<u>3,761</u>

The Institute has mutual trading status and is therefore exempt from corporation tax on its operating income with members. The tax charge of £4,548 arose on income generated in the year ended 31 March 2007 from non-member activities.

**6 Tangible fixed assets**

	Leasehold improvements	Equipment fixtures and fittings	Total
	£	£	£
<b>Cost:</b>			
At 1 April 2007	18,025	67,016	85,041
Additions	-	14,979	14,979
Disposals	-	(760)	(760)
At 31 March 2008	<b>18,025</b>	<b>81,235</b>	<b>99,260</b>
<b>Depreciation:</b>			
At 1 April 2007	2,102	40,080	42,182
Provision for the year	3,606	21,637	25,243
Adjustments for disposals	-	(760)	(760)
At 31 March 2008	<b>5,708</b>	<b>60,957</b>	<b>66,665</b>
<b>Net book value:</b>			
At 31 March 2008	<b>12,317</b>	<b>20,278</b>	<b>32,595</b>
At 31 March 2007	15,923	26,936	42,859

**7 Debtors**

	2008	2007
	£	£
Trade debtors	280,414	223,092
Other debtors	80,063	68,839
Accrued income	110,130	272,335
	<b>470,607</b>	564,266

**8 Creditors: amounts falling due within one year**

	2008	2007
	£	£
Trade creditors	247,864	128,297
Other creditors	81,838	45,361
Other tax and social security	22,256	49,521
	<b>351,958</b>	223,179

**9 Accruals and deferred income**

	2008	2007
	£	£
Deferred income	736,259	497,149

**10 Profit and loss account**

	<u>2008</u>	2007
	<u>£</u>	<u>£</u>
At 1 April 2007	199,317	183,214
Profit for the year	<b>100,952</b>	16,102
At 31 March 2008	<b><u>300,269</u></b>	<u>199,316</u>

**11 Leasing commitments****Operating leases**

At 31 March 2008 the company had annual commitments under non cancellable operating leases as set out below:

	<u>2008</u>		<u>2007</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Operating leases which expire:				
Within two to five years	<b><u>53,105</u></b>	<b><u>7,964</u></b>	<u>53,105</u>	<u>7,964</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.

Mr T. Kitchin is a partner in the Glasshouse Partnership. A total of £26,476 was paid for media services by the partnership in the year ended 31 March 2008. For the year ended 31 March 2007, project income included in £35,250 in respect of invoices to the partnership and a total of £28,230 was paid for media services charged by the partnership. Trade debtors and trade creditors at 31 March 2007 include £17,625 and £6,462 in respect of these transactions.

**13 Pension commitments and other post-retirement benefits****Defined contribution scheme**

The company operates a 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 and charge represents contributions payable by the company to the fund and amounted to £14,086 (2007 £-).

**14 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.

**Profit and loss account for the year ended 31 March 2008**

	Note	2008	2007
		£	£
<b>Sales</b>	1	<b>2,180,990</b>	2,333,141
Other Income	2	<b>25,476</b>	16,277
		<b>2,206,466</b>	2,349,418
<b>Less: Overheads</b>			
Directors' Remuneration	3	<b>131,550</b>	134,631
Employment and related costs	4	<b>1,720,488</b>	1,770,089
Establishment Expenses	5	<b>202,873</b>	304,919
Administration Expenses	6	<b>19,401</b>	66,783
Finance Charges	7	<b>1,411</b>	5,451
Depreciation		<b>25,243</b>	47,682
		<b>2,100,966</b>	2,329,555
<b>Net profit before taxation</b>		<b>105,500</b>	19,863

**Profit and loss account for the year ended 31 March 2008 (continued)**

	2008	2007
	£	£
<b>1. Sales</b>		
Membership subscriptions	219,336	224,871
Training fees	17,500	29,716
Sale of publications	1,494	3,008
Project income and sponsorship	1,916,264	1,359,668
Sundry income	26,396	147
Keystone income	-	485,399
Great Place to Work income	-	230,332
	<u>2,180,990</u>	<u>2,333,141</u>
<b>2. Other Income</b>		
Interest receivable	25,476	16,277
	<u>25,476</u>	<u>16,277</u>
<b>3. Directors' Remuneration</b>		
Directors' salaries	29,981	119,925
Directors' consultancy fees	98,400	-
Employer's national insurance	3,169	14,706
	<u>131,550</u>	<u>134,631</u>
<b>4. Employment and related costs</b>		
Salaries and national insurance	1,000,334	1,226,652
Employer's pension costs	14,086	-
Consultancy and project costs	560,348	412,775
Staff and volunteer expenses	139,762	109,671
Recruitment and training expenses	5,958	20,991
	<u>1,720,488</u>	<u>1,770,089</u>
<b>5. Establishment Expenses</b>		
Rent and service charge	60,275	71,433
Rates	15,007	12,439
Electricity	4,053	4,815
Insurance	16,790	14,477
Repairs and maintenance	24,959	18,825
Council and Board costs	14,127	23,173
Event expenses	-	53,202
Office move costs	-	25,283
Telephone	15,175	17,558
Media costs	1,790	22,425
Website, internet and computer costs	50,697	41,289
	<u>202,873</u>	<u>304,919</u>
<b>6. Administration Expenses</b>		
Postage	3,032	2,389
Printing and stationery	7,209	16,270
Office equipment hire	10,462	8,683
Sundry expenses	3,208	9,104
Purchases of products and services	1,165	16,431
Auditors' remuneration	6,996	5,496
Legal and professional charges	8,843	4,510
Advertising	-	106
Bad debts	12,000	6,035
Profit on exchange	(33,514)	(2,241)
	<u>19,401</u>	<u>66,783</u>
<b>7. Finance Charges</b>		
Bank charges	1,411	5,451
	<u>1,411</u>	<u>5,451</u>