

ETHICAL TRADING INITIATIVE
(A company limited by guarantee and not having a share capital)

Company No. 3578127

ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH 2005

Ethical Trading Initiative

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31st March 2005.

Principal Activities

The principal activities of the company throughout the period were to promote and encourage ethical trading in order to improve conditions for workers and their communities in the supply chains of companies supplying products worldwide.

Directors

Katherine Astill	Elizabeth Lort-Phillips (appointed 24.11.04)
Lakshmi Bhatia (appointed 24.11.04)	Ron Oswald
Robert Brown (appointed 24.11.04)	David Ould (appointed 24.11.04)
David Croft	Daniel Rees
Fiona Gooch (resigned 24.11.04)	Alan Roberts (Chair)
James Howard (appointed 16.12.04)	Robin Robison (resigned 24.11.04)
Muriel Johnson	John Sayer (appointed 24.11.04)
Elaine Jones (resigned 24.11.04)	Simon Steyne (Hon. Treasurer)
Dwight Justice (resigned 16.12.04)	Gerrit ter Voorde (resigned 24.11.04)
Neil Kearney	Jane Turner (resigned 24.11.04)

Auditors

Kingston Smith have indicated their willingness to continue in office.

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 and of the income and expenditure of the company for that period. In preparing those financial statements, the directors are required to:

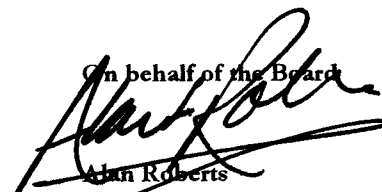
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small Company Rules

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

On behalf of the Board



Alan Roberts
Chair

2nd Floor
Cromwell House
14 Fulwood Place
London
WC1V 6HZ

26/8/05

Independent Auditors' Report to the Members of Ethical Trading Initiative

We have audited the financial statements of Ethical Trading Initiative for the year ended 31st March 2005 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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 Directors' Report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

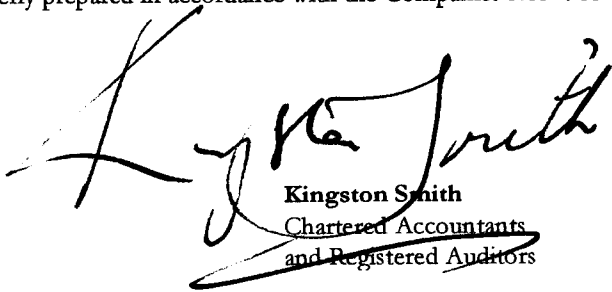
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st March 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House
60 Goswell Road
London EC1M 7AD

1/9/05


Kingston Smith
Chartered Accountants
and Registered Auditors

Ethical Trading Initiative
Income and Expenditure Account
For the year ended 31st March 2005

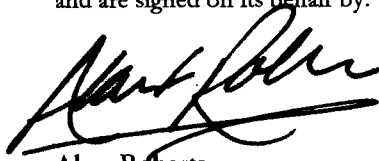
	Note	2005 £	2004 £
Income			
Grants	2	462,276	471,651
Membership fees		607,628	502,009
European Union funding JICR&WR		28,338	-
US State department funding JICR&WR		29,005	-
Direct Project funding		36,921	-
Conference and seminars		9,881	60,742
Bank interest		10,211	5,537
		<u>1,184,260</u>	<u>1,039,939</u>
Expenditure			
Staff		465,295	414,719
Board		26,779	68,212
Office Running Costs		150,513	122,530
Membership Support & Development		28,968	27,930
Events		53,250	67,514
Information		124,382	85,578
Pilot Programmes		161,652	136,329
Capacity Building		-	40,000
Research & Working Groups		114,824	68,756
EU Joint Initiative		22,008	-
US Joint Initiative		26,428	-
		<u>1,174,099</u>	<u>1,031,568</u>
Operating Surplus	3	10,161	8,371
Taxation		<u>(50)</u>	<u>-</u>
Surplus for the Year after Taxation		10,111	8,371
Surplus brought forward		<u>261,912</u>	<u>253,541</u>
Surplus carried forward		<u><u>272,023</u></u>	<u><u>261,912</u></u>

Ethical Trading Initiative Balance Sheet at 31st March 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed Assets					
Tangible assets	4		20,413		29,147
Current Assets					
Debtors	5	252,079		150,461	
Cash at bank and in hand		<u>217,312</u>		<u>384,985</u>	
		469,391		535,446	
Creditors: Amounts falling due within one year	6	<u>217,781</u>		<u>302,681</u>	
Net Current Assets			<u>251,610</u>		<u>232,765</u>
			<u>272,023</u>		<u>261,912</u>
Represented by:					
Accumulated Fund			<u>272,023</u>		<u>261,912</u>

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

The accounts were approved by the board on 26/8/05 and are signed on its behalf by:


 Alan Roberts
 Chair

Ethical Trading Initiative

Notes to the Accounts

For the year ended 31st March 2005

1 Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of Accounting

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the provisions of Schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the organisation's activities.

Depreciation

Depreciation of fixed assets is provided at a rate calculated to write off the values of the assets over their expected useful lives.

The rate used during the year was:

Furniture and equipment 25% of cost

Grants Received

Grants received are accounted for on the accruals basis.

Subscriptions

Subscriptions are included in the period in which they fall due for renewal.

Leases

Rentals under operating leases have been charged to the income and expenditure account as they are paid.

Pensions

The company contributes to the individual personal pensions of members of staff at the rate of 6% of gross salary. The amount payable for the year includes unpaid contributions of £3,742.

2 Grants

	2005	2004
	£	£
Department for International Development		
- Core funding	462,276	471,651
	462,276	471,651

In accordance with the terms and conditions the grant for 2004/2005 was applied as follows:

	£	£
Core staff	223,831	196,282
Staff expenses and training	5,996	8,102
Recruitment	6,435	4,698
Office running costs	35,881	55,017
Chair's fees	8,625	22,409
Chair's expenses	2,947	7,570
Board meetings and travel	1,817	4,202
Information and training	49,753	43,718
Membership support and development	13,313	-
Events	11,819	-
Pilots	10,000	42,653
Capacity building	-	32,000
Research	91,859	55,000
	462,276	471,651

Ethical Trading Initiative
Notes to the Accounts
For the year ended 31st March 2005 (Continued)

3 Operating Surplus	2005 £	2004 £
The operating surplus is stated after charging		
Directors Remuneration (excluding pension contributions of £3,766 (2004:£3,668))	62,773	61,139
Director's fees paid to a director's business	17,250	44,625
Pension contributions	21,266	18,116
Depreciation	10,639	6,653
Audit fees - current year	3,350	3,200
- prior year underprovision	-	200
	<u>252,079</u>	<u>150,461</u>
 4 Fixed Assets		Furniture and Equipment
Cost		£
Balance as at 1 April 2004		60,305
Additions		<u>1,905</u>
Balance at 31st March 2005		<u>62,210</u>
 Depreciation		
Balance as at 1 April 2004		31,158
Charge for year		<u>10,639</u>
Balance at 31st March 2005		<u>41,797</u>
 Net Book Value		
At 31st March 2005		<u>20,413</u>
At 31st March 2004		<u>29,147</u>
 5 Debtors	2005 £	2004 £
Trade debtors	32,404	135,665
Recoverable taxation	1,992	1,107
Other debtors and prepayments	<u>217,683</u>	<u>13,689</u>
	<u>252,079</u>	<u>150,461</u>
 6 Creditors: Amounts falling due within one year	2004 £	2004 £
Trade creditors	70,088	104,427
Taxation and social security	24,669	16,807
Other creditors	93,024	76,447
Deferred income	<u>30,000</u>	<u>105,000</u>
	<u>217,781</u>	<u>302,681</u>

Ethical Trading Initiative
Notes to the Accounts
For the year ended 31st March 2005 (Continued)

7 Share Capital

The company is limited by guarantee and does not have a share capital. Each member's guarantee is limited to £1.

8 Lease Commitments

The company is committed to making the following payments under operating leases:

	2005	2004
	£	£
Property - expiring in 2 - 5 years	53,305	53,305
Equipment - expiring in 2 - 5 years	<u>1,947</u>	<u>1,947</u>

9 Related Party Transactions

During the year fees totalling £5,894 for project work were charged by the business of Alan Roberts, the Chair. (2004: £10,500) These fees are in addition to director's fees disclosed in note 3.

Ethical Trading Initiative
Analysis of Expenditure
For the year ended 31st March 2005

For Directors Use Only

	2005	2004
	£	£
Staff		
Salaries and national insurance	392,009	342,875
Consultancy and temporary staff	24,786	34,240
Pension Costs	21,266	18,116
Recruitment	12,870	5,339
Accountant & Bookkeeper	9,599	9,323
Staff Training & Development Costs	4,765	4,826
	<u>465,295</u>	<u>414,719</u>
 Board		
Board Meetings & Travel	3,635	8,248
Chair	17,250	44,625
Chair Expenses	5,894	15,339
	<u>26,779</u>	<u>68,212</u>
 Office Running Costs		
Payroll	736	560
Audit	3,350	3,400
Legal & Professional	1,915	9,240
Rent	49,288	31,500
Rates	18,012	10,223
Service Charges	21,234	7,418
Insurance	1,875	1,086
Photocopying	2,266	2,878
Couriers	1,791	1,542
Telephone/Fax/E-mail	6,316	5,501
Postage/Stationery	9,832	9,435
Office Equipment Repairs	8,030	15,458
Staff Travel/Expenses	6,989	11,497
Bank Charges	784	770
Canteen	2,571	2,376
Sundry	4,885	2,993
Depreciation	10,639	6,653
	<u>150,513</u>	<u>122,530</u>

Ethical Trading Initiative
Analysis of Expenditure
For the year ended 31st March 2005 (Continued)

For Directors Use Only

	2005	2004
	£	£
Membership Support & Development		
Members Caucus Meetings	2,003	3,137
AGM	6,215	3,929
NGO Funding Scheme	20,000	20,000
Recruitment of New Members	750	864
	<u>28,968</u>	<u>27,930</u>
Events		
Issue-based Seminars	5,844	6,125
International Conference	47,406	61,389
	<u>53,250</u>	<u>67,514</u>
Information		
Publications	51,885	64,363
Training Development	50,586	1,436
Website	21,911	19,779
	<u>124,382</u>	<u>85,578</u>
Pilot Programmes & Working Groups		
Experimental projects and working groups		
Small producers	17,836	15,966
Homeworkers	17,806	5,444
Child Labour Working Group	5,802	7,641
China Working Group	18,672	3,038
Annual Reporting Working Group	51,400	39,435
Ready Made Garments (Sri Lanka) Project	16,056	6,081
Collective Risk Assessment Project	-	104
Gangmasters Project	34,080	52,348
Pilot Programme - Costa Rica	-	6,272
	<u>161,652</u>	<u>136,329</u>
Capacity Building		
Set up of experimental capacity building fund		-
Regional seminars and briefings	-	11,431
Support to local monitoring initiatives	-	28,569
	<u>-</u>	<u>40,000</u>
Research & Impact Assessment		
Impact Assessment research	114,824	68,756
	<u>114,824</u>	<u>68,756</u>
EU re Joint Initiative		
Expenditure	22,008	-
	<u>22,008</u>	<u>-</u>
US re Joint Initiative		
Expenditure	26,428	-
	<u>26,428</u>	<u>-</u>