

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

Company No. 3578127

ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH 2006

Ethical Trading Initiative

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31st March 2006.

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 (resigned 18.7.05)
Sarah Barlow (appointed 23.11.05)
Lakshmi Bhatia
Robert Brown
David Croft (resigned 26.5.05)
James Howard
Muriel Johnson (resigned 23.11.05)
Neil Kearney
Sharon McClenaghan (appointed 23.11.05)
Louise Nicholls (appointed 23.11.05)

Elizabeth Lort-Phillips (resigned 26.5.05)
Ron Oswald
David Ould (resigned 25.5.06)
Daniel Rees
Alan Roberts (Chair)
John Sayer (resigned 1.12.05)
Simon Steyne (Hon. Treasurer)
Peter Williams (appointed 23.11.05)

Auditors

On 1st May 2006, Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Kingston Smith as extending to Kingston Smith LLP under the provision of section 26(5) of the Companies Act 1989. Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to assume 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.

Audit information

So far as each of the directors at the time the directors' report is approved is aware:

- a) there is no relevant information of which the auditors are unaware; and
- b) they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Ethical Trading Initiative

Report of the Directors

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 January 2005).

On behalf of the Board

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

Alan Roberts
Chair

Dated : 25 August 2006

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 2006 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. 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 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 (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 & 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 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 International Standards on Auditing (UK & 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, of the state of the company's affairs as at 31 March 2006 and of its result for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the Directors' Report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD
Dated : 25 September 2006

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Ethical Trading Initiative
Income and Expenditure Account
For the year ended 31st March 2006

	Note	2006 £	2005 £
Income			
Grants	2	322,963	462,276
Membership fees		600,843	607,628
European Union funding JICR&WR		28,295	28,338
US State department funding JICR&WR		99,905	29,005
GAP funding JICR&WR		2,818	-
Direct Project funding		110,250	36,921
Conference and seminars		44,045	9,881
Bank interest		5,293	10,211
		<u>1,214,412</u>	<u>1,184,260</u>
Expenditure			
Staff		506,158	465,295
Board		52,287	26,779
Office Running Costs		150,293	150,513
Membership Support & Development		27,455	28,968
Events		54,040	53,250
Information		105,483	124,382
Pilot Programmes		169,802	161,652
Capacity Building		997	-
Research & Working Groups		29,568	114,824
EU Joint Initiative		27,785	22,008
US Joint Initiative		96,663	26,428
GAP Joint Initiative		2,818	-
		<u>1,223,349</u>	<u>1,174,099</u>
Operating (Deficit)/Surplus	3	(8,937)	10,161
Taxation		-	(50)
(Deficit)/Surplus for the Year after Taxation		(8,937)	10,111
Surplus brought forward		<u>272,023</u>	<u>261,912</u>
Surplus carried forward		<u><u>263,086</u></u>	<u><u>272,023</u></u>

Ethical Trading Initiative Balance Sheet at 31st March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed Assets					
Tangible assets	4		13,569		20,413
Current Assets					
Debtors	5	136,232		252,079	
Cash at bank and in hand		<u>282,316</u>		<u>217,312</u>	
		418,548		469,391	
Creditors: Amounts falling due within one year					
	6	<u>169,031</u>		<u>217,781</u>	
Net Current Assets					
			<u>249,517</u>		<u>251,610</u>
			<u><u>263,086</u></u>		<u><u>272,023</u></u>
Represented by:					
Accumulated Fund					
			<u><u>263,086</u></u>		<u><u>272,023</u></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 January 2005).

The accounts were approved by the board on 25 August 2006 and are signed on its behalf by:

Alan Roberts
Chair

Ethical Trading Initiative

Notes to the Accounts

For the year ended 31st March 2006

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 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 £8,446.

2 Grants

	2006	2005
	£	£
Department for International Development		
- Core funding	322,963	462,276

In accordance with the terms and conditions the grant for 2005/2006 was applied as follows:

	£	£
Core staff	218,461	223,831
Staff expenses and training	7,405	5,996
Recruitment	3,960	6,435
Office running costs	13,863	35,881
Chair's fees	19,428	8,625
Chair's expenses	5,094	2,947
Board meetings and travel	1,327	1,817
Information and training	-	49,753
Events	13,510	13,313
Pilots	7,972	11,819
Annual Reporting	8,289	10,000
Research	23,654	91,859
	322,963	462,276

Ethical Trading Initiative
Notes to the Accounts
For the year ended 31st March 2006 (Continued)

3 Operating (Deficit)/Surplus	2006 £	2005 £
The operating (deficit)/surplus is stated after charging		
Directors Remuneration (excluding pension contributions of £3,882 (2005:£3,766))	64,964	62,773
Director's fees paid to a director's business	39,445	17,250
Pension contributions	22,364	21,266
Depreciation	7,539	10,639
Operating lease revenue:		
- land and buildings	51,739	49,228
- other plant and machinery	1,707	1,707
Audit fees	3,500	3,350
	<u>136,232</u>	<u>136,232</u>
 4 Fixed Assets		Furniture and Equipment
Cost		£
Balance as at 1 April 2005		62,210
Additions		<u>695</u>
Balance at 31st March 2006		<u>62,905</u>
 Depreciation		
Balance as at 1 April 2005		41,797
Charge for year		<u>7,539</u>
Balance at 31st March 2006		<u>49,336</u>
 Net Book Value		
At 31st March 2006		<u>13,569</u>
At 31st March 2005		<u>20,413</u>
 5 Debtors	2006 £	2005 £
Trade debtors	40,838	32,404
Recoverable taxation	3,050	1,992
Other debtors and prepayments	92,344	217,683
	<u>136,232</u>	<u>252,079</u>
 6 Creditors: Amounts falling due within one year	2006 £	2006 £
Trade creditors	83,143	70,088
Taxation and social security	15,770	24,669
Other creditors	70,118	93,024
Deferred income	-	30,000
	<u>169,031</u>	<u>217,781</u>

Ethical Trading Initiative
Notes to the Accounts
For the year ended 31st March 2006 (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:

	2006	2005
	£	£
Property - expiring in 2 - 5 years	46,945	53,305
Equipment - expiring in 2 - 5 years	<u>1,707</u>	<u>1,707</u>

9 Related Party Transactions

During the year fees totalling £10,187 for project work were charged by the business of Alan Roberts, the Chair (2005: £5,894). £5,659 of consultancy and reimbursed expenses were invoiced to the company during the year by Peter Williams, a director of ETT. These fees are in addition to director's fees disclosed in note 3.