

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors	Alan Roberts (resigned 1 May 2012) Meena Varma Lord Young of Norwood Green Pamela Batty Maggie Burns Chris Gilbert-Wood James Howard (resigned 1 September 2012) Elaine Jones (resigned 1 March 2012) Ben Moxham Ashling Seely (resigned 1 December 2012) Rachel Wilshaw Scot Walker Peter McAllister Jane Blacklock Chris Harrop Alison Tate (appointed 6 December 2012) Monika Kemperle (appointed 6 December 2012) Suzanne McCarthy (appointed 13 September 2012) Aidan McQuade (appointed 15 March 2012)
Company secretary	Angela Byer
Registered number	3578127
Registered office	8 Coldbath Square London EC1R 5HL
Independent auditors	haysmacintyre 26 Red Lion Square London WC1R 4AG

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ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements for the year ended 31 March 2013.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Principal activities

The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the world. We believe that in order to truly make a difference in workers' lives, we must tackle the symptoms and root causes that create poor working conditions.

These factors are often complex and endemic, deeply embedded in the cultural, political and economic fabric of countries. It can be difficult to trace supply chains and outsourcing is a common practice, but we can make a difference by working together. Our new approach, developed during 2011, recognises that no one organisation can tackle these issues alone. It takes a series of selected supply chains and looks at how all stakeholders can work together to drive real, sustained change for workers.

This past year has witnessed a strengthening and consolidation of this approach, as our supply chain programmes take shape. This can be evidenced in the role we played in bringing together international brands, retailers, trade unions and NGOs to sign the unprecedented Accord on Fire and Building Safety in Bangladesh. This international agreement recognises the chronic health and safety issues within Bangladesh's garment sector and the positive role that the commercial sector can play in driving change. Our work can also be evidenced through the progress of our Rajasthan sandstone programme, as we bring together international and local stakeholders to raise awareness around the UN Guiding Principles on Business and Human Rights. Our Thai farmed shrimp programme is further testament to this progress; during this past year we have secured sector-wide commitment to addressing chronic labour rights issues affecting migrant workers.

We continue to benefit from the diversity of our membership base and the valuable perspectives of our corporate, trade union and NGO members. We have strengthened our ability to support member companies in delivering their commitments by providing clear monitoring, evaluation and learning guidelines. We have also put in place a new mechanism for companies taking a more strategic approach to ethical trade (see Highlights). These new frameworks help us all remain focused on creating positive impact for workers.

ETHICAL TRADING INITIATIVE

(A Company Limited by Guarantee)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

We are pleased to report that this past year has seen ETI reinforce our financial position, despite the challenging economic climate. Our revenue and cost base has remained stable, and we are actively seeking new funding opportunities to help take forward our work. We would like to thank the Department for International Development (DFID) for its continued support through the PPA funding mechanism and specific support through the RAGS-Challenge Fund. We are also grateful to Comic Relief for its grant to support supervisor training in South Africa.

But there is still more to do. The effects of globalisation, rapid environmental changes and increasing resource scarcity continue to create real challenges for those trying to make a difference. We are committed to working with members and other stakeholders to understand what this might mean for working conditions now, and into the future. This is part of a broader commitment to ensure that ETI is well-informed and focused, yet adaptable and able to meet these future challenges.

Maintaining momentum is crucial. In the year ahead we aim to see more programmes start up on the ground across our prioritised garment, food and farming and hard goods supply chains. We will continue to focus on key issues such as working hours, new sourcing markets and paying a living wage by developing interactive events and guidance documents. This is part of our commitment to members, as we help them meet their ethical trade aims and objectives.

We look forward to sharing this important work with you as it progresses. It is only through collaboration that we can bring about change in the lives of the world's poorest workers and ETI is uniquely placed to facilitate that collaboration.

Highlights of the year

Freedom of association guidance for companies

This year, we launched 'Freedom of association in company supply chains: a practical guide', developed with support from ETI members. Freedom of association is the right for workers and employers to establish and join trade unions of their own choosing, without prior authorisation and interference from government or from one another. The guide includes practical tools as well as case studies on how to deal with institutional corruption in Mexico and the challenges of state-controlled unions in China and Vietnam.

Events and insights

Our events programme helps members and stakeholders to explore pertinent ethical trade topics and issues. It included an event at DFID's offices in March 2013, which brought together panellists to discuss the increasing interest in sourcing from Myanmar (Burma). We also hosted an event at the House of Commons on 'Free, fair and ethical trade', in partnership with the All-Party Parliamentary Group for Trade Out of Poverty and the Fairtrade Foundation. The event was chaired by Baroness Falkner, Liberal Democrat Spokesperson for Foreign Affairs, with speeches from both the Government and opposition. We also hosted an event to celebrate and share the lessons from our work with homeworkers in northern India.

ETI training – new sectors, new countries

Our training courses offer a good entry point for brands and retailers that are new to ethical trade. We launched eight new training courses this year, taking the ethical trade message to a wider range of countries and sectors. We introduced 'Ethical procurement for health', 'Ethical public procurement' and a 'Homeworkers and ethical trade' (suite of five courses). An exciting new agreement also sees Partner Africa roll-out our training programme to tackle discrimination on farms and factories, with Kenya, Egypt and Morocco in its sights for the year ahead.

Strategy is the word

We have strengthened our ability to support members, as they implement their ethical trade programmes. Where a company has shown evidence of leadership, we now ask them to develop a fully integrated ethical trade strategy. Whilst this change in approach has not been without its challenges, members say that it has helped them gain buy-in at higher levels within their businesses. The process has also given ETI deeper insight into the challenges and opportunities that our company members face, meaning we are better placed to support them.

ETHICAL TRADING INITIATIVE
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013

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We are pleased to have gained two new country representatives, who will support our important work in India and China. Yun Gao is our new ETI China representative, who has worked as both a civil servant, lawyer, and most recently for the ILO Better Work and its Asia-Pacific programmes. Yun will take forward our fledgling China supply chain programmes. Rana Alok Singh has also started in the new post of ETI India Representative. Alok has worked in international development for the past 20 years, and will help implement our three India supply chain programmes; costume jewellery, garments from southern India, and sandstone from Rajasthan.

Capturing the Gains

Our Executive Director, Peter McAllister, also took part in a summit in Cape Town, South Africa, as part of the DFID-funded Capturing the Gains project. This allowed ETI to contribute to this debate and showcase the work we are doing with members. It also provided an opportunity to meet with ETI partner WIETA, which is undertaking interesting work in the wine sector. The visit also coincided with a politically-charged labour dispute relating to wages and conditions on fruit and wine producing farms. While a wage agreement has subsequently been reached, we remain concerned about chronic labour issues in this sector. We are working with our food sector members to identify ways in which we can help drive change through their commercial relationships.

Directors

The directors who served during the year were:

Alan Roberts (resigned 1 May 2012)
Meena Varma
Lord Young of Norwood Green
Pamela Batty
Maggie Burns
Chris Gilbert-Wood
Jane Blacklock
Elaine Jones (resigned 1 March 2012)
Ben Moxham
Ashling Seely (resigned 1 December 2012)
Rachel Wilshaw
Scot Walker
Peter McAllister
Chris Harrop
James Howard
Suzanne McCarthy (appointed 13 September 2012)
Aidan McQuade (appointed 15 March 2012)
Monika Kemperle
Alison Tate

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, haysmacintyre, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ETHICAL TRADING INITIATIVE
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 5 December 2013 and signed on its behalf.

Meena Varma
Director

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ETHICAL TRADING INITIATIVE

We have audited the financial statements of the Ethical Trading Initiative for the year ended 31 March 2013, set out on pages 7 to 11. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditors' 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ETHICAL TRADING INITIATIVE
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ETHICAL TRADING INITIATIVE

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report.

Murtaza Jessa (Senior Statutory Auditor)

for and on behalf of

haysmacintyre

Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

5 December 2013

ETHICAL TRADING INITIATIVE
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INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
INCOME	1	910,529	1,031,722
Administrative expenses		(1,562,072)	(1,637,503)
Other operating income	2	660,281	590,542
		<hr/>	<hr/>
OPERATING DEFICIT	3	8,738	(15,239)
Interest receivable and similar income		277	246
		<hr/>	<hr/>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		9,015	(14,993)
Tax on profit/(loss) on ordinary activities		-	-
		<hr/>	<hr/>
DEFICIT FOR THE FINANCIAL YEAR	9	9,015	(14,993)
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The notes on pages 9 to 11 form part of these financial statements.

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)
REGISTERED NUMBER: 3578127

BALANCE SHEET
AS AT 31 MARCH 2013

	Note	£	2013	£	£	2012	£
FIXED ASSETS							
Tangible assets	5			8,275			17,613
CURRENT ASSETS							
Debtors	6	530,394			341,485		
Cash in hand		119,096			39,786		
				649,490			381,271
CREDITORS: amounts falling due within one year	7	(461,503)			(211,637)		
NET CURRENT ASSETS				187,987			169,634
NET ASSETS				196,262			187,247
CAPITAL AND RESERVES							
Profit and loss account	9			196,262			187,247
				196,262			187,247

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 December 2013.

Meena Varma
Director

The notes on pages 9 to 11 form part of these financial statements.

ETHICAL TRADING INITIATIVE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 Income

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and fittings - 25% straight line

2. OTHER OPERATING INCOME

	2013 £	2012 £
Government and other grants receivable	<u>660,281</u>	<u>590,542</u>

3. OPERATING SURPLUS / DEFICIT

The operating deficit is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	11,901	14,495
Auditors' remuneration	7,606	4,500
Pension costs	43,633	42,390
	<u>62,139</u>	<u>61,385</u>

DIRECTORS' REMUNERATION

	2013 £	2012 £
Aggregate remuneration	<u>87,829</u>	<u>86,558</u>

ETHICAL TRADING INITIATIVE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

5. TANGIBLE FIXED ASSETS

	Fixtures & fittings £
Cost	
At 1 April 2012	97,878
Additions	2,563
At 31 March 2013	<u>100,441</u>
Depreciation	
At 1 April 2012	80,265
Charge for the year	11,901
At 31 March 2013	<u>92,166</u>
Net book value	
At 31 March 2013	<u>8,275</u>
At 31 March 2012	<u><u>17,613</u></u>

6. DEBTORS

	2013 £	2012 £
Trade debtors	512,108	331,150
Other debtors	18,286	10,335
	<u>530,394</u>	<u>341,485</u>

7. CREDITORS:
Amounts falling due within one year

	2013 £	2012 £
Trade creditors	79,922	93,396
Corporation tax	243	243
Other taxation and social security	58,990	31,303
Deferred income	204,369	8,267
Other creditors	117,979	78,428
	<u>461,503</u>	<u>211,637</u>

ETHICAL TRADING INITIATIVE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

8. COMPANY STATUS

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

9. RESERVES

	Profit and loss account £
At 1 April 2012	187,247
Profit for the year	9,015
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At 31 March 2013	196,262
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10. OPERATING LEASE COMMITMENTS

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Expiry date:		
Between 2 and 5 years	-	2,074
After more than 5 years	-	77,382
	<hr/>	<hr/>

11. RELATED PARTY TRANSACTIONS

During the year, fees and expenses including travel totalling £6,079 (including unreclaimable VAT of £1,013) (2012 £4,993, including unreclaimable VAT of £835) were charged by the business of Alan Roberts, the Chair, for acting in the capacity of the Chair of the company.