

Registered number: 3578127

Ethical Trading Initiative
(A Company Limited by Guarantee)

Directors' Report and Financial Statements

For the Year Ended 31 March 2014

Ethical Trading Initiative
(A Company Limited by Guarantee)

Company Information

| | |
|----------------------------|---|
| Directors | Meena Varma Lord Young of Norwood Green Pamela Batty (resigned 13 June 2013) Maggie Burns (resigned 13 June 2013) Chris Gilbert-Wood Katharine Teague (appointed 13 June 2013) Owen David Tudor (appointed 11 November 2013) Ben Moxham (resigned 18 November 2013) Rachel Wilshaw Scot Walker Peter McAllister Jane Blacklock (resigned 5 December 2013) Chris Harrop Philip Chamberlain (appointed 13 June 2013) Alison Tate Monika Kemperle Suzanne McCarthy (resigned 13 March 2014) Aidan McQuade |
| Company secretary | Angela Byer |
| Registered number | 3578127 |
| Registered office | 8 Colbath Square London EC1R 5HL |
| Independent auditor | haysmacintyre 26 Red Lion Square London WC1R 4AG |

Ethical Trading Initiative
(A Company Limited by Guarantee)

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Ethical Trading Initiative
(A Company Limited by Guarantee)

Directors' Report
For the Year Ended 31 March 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

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 approach 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.

It's been a tough year globally for workers. There have been too many stories of labour rights abuses and not enough about new laws and systems to protect those rights. Now, more than ever, businesses and governments must start meeting their responsibilities outlined in the UN Guiding Principles on Business and Human Rights (UNGPs).

ETI supports the individual efforts of our company, trade union and NGO members as they advance the ethical trade agenda. But there is a growing awareness that the most concerning workers' rights issues are deeply entrenched and too challenging for organisations to tackle alone. Looking at many of the major sourcing countries, we do not see the governance, laws and mechanisms needed to support conditions of decent work.

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Directors' Report
For the Year Ended 31 March 2014

Over the past year, ETI has focused efforts on the areas where we can catalyse change for the greatest number of workers. We participated in the UN's first high level meeting of the Global Partnership for Effective Development Co-operation and a major UN Human Rights Council conference on business and ethics. We've supported conversations between brands, trade unions and the governments of Cambodia, Thailand and the UK over the protection of workers' rights. We're delivering supply chain programmes on the ground in Bangladesh, India, Vietnam, Morocco and South Africa. We've also provided guidance and support on living wages and working hours; two crucial yet challenging clauses in ETI's Base Code of labour practice.

This year has also been about firming up foundations with an eye on the future. Revenue is up and we have reinforced our financial stability. Our thanks go to the Department for International Development (DFID) for its continued support through the Programme Partnership Arrangement and to Comic Relief for supporting our work in South Africa's horticulture sector. We're pleased to have secured new project funding from the Foreign and Commonwealth Office, the Commonwealth Foundation and the Ministry of Foreign Affairs of Denmark (DANIDA).

Changes in global consumer and retail dynamics call for innovative thinking. We are finalising a strategy that builds on ETI's 15 years of experience and arms us for new challenges and opportunities. We must respond to shifts of power from the global north to south and demands for greater corporate transparency and credibility. Our thanks to outgoing Chair, Suzanne McCarthy, and Vice Chair, Lord Young of Norwood Green, for their support in developing this strategy.

Looking ahead, we will continue to harness the expertise and resources of our company, trade union and NGO members to drive sustainable change for good. Forced labour, sexual discrimination and exploitation of vulnerable workers remain serious issues that must be tackled collectively. It's only by working together that we can start to realise our vision of a world where workers enjoy conditions of freedom, security and equity.

Highlights of the year

Women workers reporting positive change

We're pleased to report that 367,000 workers within ETI programmes have experienced positive change in working conditions within the past three years. Our work with members has helped drive change for around 273,500 women and 93,500 men. This is significant, given the large numbers of women workers globally who struggle to have their working rights respected and upheld. These figures include women working in the garments sectors in Bangladesh and southern India, where ETI and our members deliver programmes.

Providing guidance on working hours

We revised the working hours clause in our code of labour practice, making it easier for companies to understand and implement within their supply chains. We worked with members and ethical trade experts to provide stronger definitions and guidance on technical aspects of the clause (eg number of hours workers should be expected to work per week and use of overtime). The revised wording was launched in April and we're supporting its roll-out with online learning tools, guidance documents and a new training module.

Reaching members in new countries

Deeper and broader – these two words sum up changes to our membership mix. British and European brands make up the majority of our company members, but this year witnessed newcomers from other continents. We welcomed our first India-based company member (online retailer Jabong) and our first South African brand (Mr Price). Our work to promote ethical procurement within the healthcare sector has also led to new company members in the medical uniforms and surgical equipment supply chains.

Engaging key supply chain stakeholders

Close working with stakeholders is one of our core strategies for catalysing widespread change. There are currently 500 organisations actively involved in ETI's programmes and joint initiatives, up 200 from last year. One driver is the international focus on the business and human rights agenda, as our supply chain programmes offer an opportunity to put the UNGPs into practice. It is also the result of raised profile, following our media work around working conditions in the Bangladesh garments sector.

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Directors' Report
For the Year Ended 31 March 2014

Directors

The directors who served during the year were:

Meena Varma
Lord Young of Norwood Green
Pamela Batty (resigned 13 June 2013)
Maggie Burns (resigned 13 June 2013)
Chris Gilbert-Wood
Katherine Teague (appointed 13 June 2013)
Owen David Tudor (appointed 11 November 2013)
Ben Moxham (resigned 18 November 2013)
Rachel Wilshaw
Scot Walker
Peter McAllister
Jane Blacklock (resigned 5 December 2013)
Chris Harrop
Philip Chamberlain (appointed 13 June 2013)
Alison Tate
Monika Kemperle
Suzanne McCarthy (resigned 13 March 2014)
Aidan McQuade

Disclosure of information to the auditor

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

- so far as that the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that the 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 auditor is aware of that information.

Auditor

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

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

11/09/2014

and signed on its behalf.

Director



Ethical Trading Initiative
(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of Ethical Trading Initiative

We have audited the financial statements of the Ethical Trading Initiative for the year ended 31 March 2014, set out on pages 6 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 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 auditor

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 matters 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 Auditor's Report to the Members of 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 to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or 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

Date: 11/09/2014

Ethical Trading Initiative
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Income & Expenditure Account
For the Year Ended 31 March 2014

| | Note | 2014 £ | As restated 2013 £ |
|---|------|-------------|--------------------------|
| Income | 1 | 1,112,220 | 746,758 |
| Expenditure: | | | |
| Cost of service provision | | (1,702,995) | (1,562,072) |
| Other operating income | 2 | 635,834 | 660,281 |
| Operating surplus/(deficit) | 3 | 45,059 | (155,033) |
| Interest receivable and similar income | | 275 | 277 |
| Surplus/(deficit) on ordinary activities before taxation | | 45,334 | (154,756) |
| Tax on profit/(loss) on ordinary activities | | - | - |
| Surplus/(deficit) for the financial year | | 45,334 | (154,756) |
| Surplus brought forward | | 32,491 | 187,247 |
| Retained surplus carried forward | | 77,825 | 32,491 |

The notes on pages 8 to 11 form part of these financial statements.

Ethical Trading Initiative
(A Company Limited by Guarantee)
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Balance Sheet
As at 31 March 2014

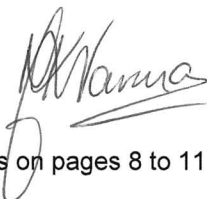
| | Note | 2014 | | As restated 2013 | |
|---|------|------------------|---------------|---------------------|---------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 5 | | 6,868 | | 8,275 |
| Current assets | | | | | |
| Debtors | 6 | 312,531 | | 530,394 | |
| Cash in hand | | 512,954 | | 119,096 | |
| | | <u>825,485</u> | | <u>649,490</u> | |
| Creditors: amounts falling due within one year | 7 | <u>(754,528)</u> | | <u>(625,274)</u> | |
| Net current assets | | | 70,957 | | 24,216 |
| Net assets | | | <u>77,825</u> | | <u>32,491</u> |
| Capital and reserves | | | | | |
| Reserves | 9 | | <u>77,825</u> | | <u>32,491</u> |
| | | | <u>77,825</u> | | <u>32,491</u> |

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

11/09/14

Director



The notes on pages 8 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 2014

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.

Subscriptions are treated as income when due. Subscriptions received in respect of unexpired periods are carried forward in the financial statements as deferred income over the period of the membership. This represents a change in accounting policy and the effect of this change has been treated as a prior year adjustment, which is disclosed in Note 10.

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 & fittings - 25% Straight Line

2. Other operating income

| | 2014 £ | 2013 £ |
|-------------------------------|----------------|----------------|
| Other operating income | 635,834 | 660,281 |
| Other operating income | | |
| | 2014 £ | 2013 £ |
| DFID core funding | 401,770 | 402,540 |
| DANIDA | 6,677 | - |
| DFID RAGS | 94,106 | 93,068 |
| Comic Relief | 98,630 | 131,173 |
| TNMS | 34,651 | 19,000 |
| Peru Horticulture Programme | - | 5,200 |
| TUC | - | 9,300 |
| Total | 635,834 | 660,281 |

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Notes to the Financial Statements
For the Year Ended 31 March 2014

3. Operating surplus / deficit

The operating deficit is stated after charging:

| | 2014 £ | 2013 £ |
|--|-------------------|-------------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 4,190 | 11,901 |
| Auditor's remuneration | 8,308 | 7,606 |
| Pension costs | 34,888 | 43,633 |
| | <u> </u> | <u> </u> |

4. Directors' remuneration

| | 2014 £ | 2013 £ |
|------------------------|-------------------|-------------------|
| Aggregate remuneration | 89,245 | 87,829 |
| | <u> </u> | <u> </u> |

5. Tangible fixed assets

| | Fixtures & fittings £ |
|-----------------------|-----------------------------|
| Cost | |
| At 1 April 2013 | 100,441 |
| Additions | 2,783 |
| At 31 March 2014 | <u>103,224</u> |
| Depreciation | |
| At 1 April 2013 | 92,166 |
| Charge for the year | 4,190 |
| At 31 March 2014 | <u>96,356</u> |
| Net book value | |
| At 31 March 2014 | <u>6,868</u> |
| At 31 March 2013 | <u>8,275</u> |

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Notes to the Financial Statements
For the Year Ended 31 March 2014

6. Debtors

| | 2014 £ | 2013 £ |
|---------------|----------------|----------------|
| Trade debtors | 242,981 | 512,108 |
| Other debtors | 69,550 | 18,286 |
| | <u>312,531</u> | <u>530,394</u> |

7. Creditors:
Amounts falling due within one year

| | 2014 £ | As restated 2013 £ |
|---------------------------------------|----------------|--------------------------|
| Trade creditors | 68,129 | 79,922 |
| Corporation tax | - | 243 |
| Other taxation and social security | 2,855 | 58,990 |
| Membership income received in advance | 422,317 | 163,771 |
| Deferred Income | 135,126 | 204,369 |
| Other creditors | 126,101 | 117,979 |
| | <u>754,528</u> | <u>625,274</u> |

Membership income received in advance comprises the unexpired period to which the membership fees relate to.

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

| | Reserves £ |
|--|---------------|
| At 1 April 2013 (as previously stated) | 196,262 |
| Prior year adjustment (note 10) | (163,771) |
| | <u>32,491</u> |
| At 1 April 2013 (as restated) | 32,491 |
| Surplus for the year | 45,334 |
| | <u>77,825</u> |
| At 31 March 2014 | <u>77,825</u> |

Ethical Trading Initiative
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Notes to the Financial Statements
For the Year Ended 31 March 2014

10. Prior year adjustment

There has been a change in accounting policy for the recognition of income relating to membership subscriptions as referred to in Note 1.2. The change in policy has had the effect of reducing income for 2013 and increasing deferred income. The cumulative effect is to reduce prior year surpluses by £163,771.

11. Operating lease commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

| | 2014 £ | 2013 £ |
|-----------------------|---------------|---------------|
| Expiry date: | | |
| Within 1 year | 17,892 | 71,568 |
| Between 2 and 5 years | 2,112 | 2,268 |
| | <u>19,004</u> | <u>73,836</u> |

12. Related party transactions

During the year, fees and expenses including travel totalling £Nil (2013: £6,079, including unreclaimable VAT of £1,013) were charged by the business of Alan Roberts, the Chair, for acting in the capacity of the Chair of the company.

During the year, expenses were reimbursed to Susan McCarthy, the Chair, amounting to £295.