

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

Company No. 3578127

ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH 2008

The directors have pleasure in presenting their report and financial statements for the year ended 31st March 2008.

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

Pamela Batty (appointed 29/11/07)

Lakshmi Bhatia

Javier Chercoles Blazquez

Robert Brown

Maggie Burns

James Howard

Neil Kearney

Sharon McClenaghan (resigned
17/05/07)

Teresa Mackay (appointed 17/05/07)

Louise Nicholls (resigned 06/12/07)

Ron Oswald (resigned 17/05/07)

Daniel Rees

Alan Roberts (Chair)

Simon Steyne

Peter Williams (Hon. Treasurer)

Lord Young (Vice Chair)

Secretary

Angela Byer

Auditors

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

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that 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. 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.

Risk Management Statement

The directors have examined the major governance, operational and financial risks which the company faces and confirm that systems and controls have been established to mitigate these risks, including controls to safeguard the administration and use of grant funding and other income received. The potential risks and management of them are regularly reviewed by the directors.

Audit information

So far as each of the directors at the time the trustees' 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.

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 2007).

On behalf of the Board

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

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Alan Roberts
Chair
Date:

We have audited the financial statements of Ethical Trading Initiative for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with 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 which 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 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 Statement of Directors' Responsibilities on page 1, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 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 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:

- the financial statements give a true and fair view, in accordance with the 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 surplus for the year then ended;
- 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.

Devonshire House
60 Goswell Road
London EC1M 7AD

**Kingston Smith
LLP**
Chartered
Accountants
and Registered
Auditors

	Note	2008 £	2007 £
Income			
Grant from DfID	2	500,000	375,000
Membership fees		621,512	607,923
JO-IN project income	11	161,083	129,062
Direct project funding		22,000	68,417
Conference, seminars and publications		20,444	22,361
Bank interest		12,100	7,196
		<u>1,337,139</u>	<u>1,209,959</u>
Expenditure			
Staff		590,759	474,132
Board		43,661	44,427
Office running costs		199,819	161,450
Membership support & development		52,653	34,698
Events		107	7,997
Information		79,079	65,732
Pilot programmes		146,125	223,002
Capacity building		30,511	36,291
Research & working groups		21,435	(1,180)
JO-IN project expenditure	11	161,083	129,062
		<u>1,325,232</u>	<u>1,175,611</u>
Operating Surplus	3	11,907	34,348
Taxation	10	<u>(2,420)</u>	<u>(1,367)</u>
Surplus for the Year after Taxation		9,487	32,981
Surplus brought forward		<u>296,067</u>	<u>263,086</u>
Surplus carried forward		<u><u>305,554</u></u>	<u><u>296,067</u></u>

The notes on pages 6 to 9 form part of these financial statements.

	Note	2008 £	2008 £	2007 £	2007 £
Fixed Assets					
Tangible assets	4		19,399		14,704
Current Assets					
Debtors	5	166,015		184,163	
Cash at bank and in hand		<u>342,534</u>		<u>272,068</u>	
		508,549		456,231	
Creditors: Amounts falling due within one year					
	6	<u>222,394</u>		<u>174,868</u>	
Net Current Assets			<u>286,155</u>		<u>281,363</u>
			<u>305,554</u>		<u>296,067</u>
Represented by:					
Accumulated Fund			<u>305,554</u>		<u>296,067</u>

The notes on pages 6 to 9 form part of these financial statements.

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 2007).

The accounts were approved by the board, and authorised for issue, on
and are signed on its behalf by:

.....
Alan Roberts
Chair

1 Accounting Policies

These financial statements have been prepared under the historical cost convention and in accordance with the provision of the Companies Act 1985, the Financial Reporting Standard for Smaller Entities (effective January 2007) and applicable accounting standards.

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 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% per annum straight line

Grants Received

Grants received are accounted for on the accruals basis. Income received in advance is carried forward in the accounts as deferred income.

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 £25,672 (2007 - £10,464)

2 Grants	2008	2007
	£	£
Department for International Development		
- Core funding	<u>500,000</u>	<u>375,000</u>
3 Operating Surplus	2008	2007
	£	£
The operating surplus is stated after charging:		
Directors remuneration (excluding pension contributions of £4,174 (2007:£4,041))	69,568	66,808
Director's fees and expenses	62,782	59,883
Pension contributions	30,177	18,200
Depreciation	11,899	8,087
Operating lease:		
- land and buildings	46,945	46,495
- other plant and machinery	1,707	1,707
Audit fees - current year	4,700	3,600
- prior year		
underprovision	<u>180</u>	<u>100</u>

Fixed Assets	Furniture and Equipment
Cost	£
Balance as at 1 April 2007	43,807
Additions	16,594
Disposals	-
	<hr/>
Balance at 31st March 2008	60,401
	<hr/>
Depreciation	
Balance as at 1 April 2007	29,103
Charge for year	11,899
Eliminated on disposal	-
	<hr/>
Balance at 31st March 2008	41,002
	<hr/>
Net Book Value	
At 31st March 2008	19,399
	<hr/> <hr/>
At 31st March 2007	14,704
	<hr/> <hr/>

Debtors	2008	2007
	£	£
Trade debtors	88,905	78,057
Recoverable taxation	4,460	3,409
Other debtors and prepayments	72,650	102,697
	<hr/>	<hr/>
	166,015	184,163
	<hr/> <hr/>	<hr/> <hr/>

Creditors: Amounts falling due within one year	2008	2007
	£	£
Trade creditors	98,851	90,022
Taxation and social security	8,078	5,670
Other creditors	78,652	29,202
Deferred income	36,813	49,974
	<hr/>	<hr/>
	222,394	174,868
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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:

	2008	2007
	£	£
Property - expiring within one year	46,945	46,945

Equipment - expiring in 2 - 5 years	<u>1,707</u>	<u>1,707</u>
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9 Related Party Transactions

During the year, fees and expenses (including travel expenses) totalling £38,661 (2007: £47,319) were charged by the business of Alan Roberts, the Chair, for consultancy work on the various projects of the company. £19,121 (2007: £12,564) of consultancy and reimbursed expenses were invoiced to the company during the year by Peter Williams, a director of ETI. £5,000 (2007: £Nil) of expenses were re-imbursed to Lord Young, the Vice Chair.

10 Taxation

The company is charged corporation tax on investment income only.

	2008	2007
	£	£
Interest received in the year	12,100	7,196
Taxation at small companies' rate of 20% (2007 - 19%)	<u>2,420</u>	<u>1,367</u>

11 Joint Project Initiative (JO-IN project)

The JO-IN project is a collaborative effort involving 6 organisations, including ETI. The other 5 organisations are:

- * The Clean Clothes Campaign (CCC)
- * Fair Wear Foundation (FWF)
- * Workers' Rights Consortium (WRC)
- * Social Accountability International (SAI)
- * Fair Labour Association (FLA)

The above organisations all do similar work to ETI, and the objectives of the JO-IN Project is to:

- (a) improve collaboration amongst the 6, by holding regular meetings; and
- (b) by jointly running an agreed set of activities in Turkey that seek to improve the working conditions of certain target groups of Turkish workers.

The activities in (b), above, involve the assessment of working conditions in a number of garment producing factories and planning and implementing improvements to those conditions.

Funding for the unitary project comes from a range of sources: the US State Department, the European Commission, a Dutch development charity called ICCO, the 6 partner organisations themselves, and from 2 corporations with an interest in the Project, namely Nike and The GAP.

Some funding is, by agreement with the donors, tied to specific activities (e.g. the EU funds mostly fund meetings) whilst other funding is a general contribution to the Project and may be used on any element of the JO-IN Project work.

Control of the Project is through a Steering Committee representing all 6 member organisations. The Steering Committee has asked ETI to take responsibility for the financial management of the Project, which is why the accounts of the Project are subject to ETI audits.

	2008	2007
	£	£
European Union funding	26,894	27,827
US State Department funding	38,079	41,865
ICCO project funding	83,366	15,263
Project collaborators funding:		
Fair Labour Association (FLA)	1,420	2,508
Social Accountability International (SAI)	1,412	2,500
Fair Wear Foundation (FWF)	1,342	5,000
The Clean Clothes Campaign (CCC)	2,928	3,768
Frederick Stiftung	3,175	-
Corporate funding		

Nike	2,467	5,009
GAP	-	25,322
	<u>161,083</u>	<u>129,062</u>

	2008	2007
	£	£
Staff		
Salaries and national insurance	497,165	389,664
Consultancy and temporary staff	31,250	25,587
Pension costs	29,974	18,200
Recruitment	13,923	11,835
Accountant & bookkeeper	11,976	11,661
Staff training & development costs	6,471	9,718
Development consultancy	-	7,467
	<u>590,759</u>	<u>474,132</u>
Board		
Board meetings & travel	3,969	2,710
Chair	31,000	29,440
Chair expenses	3,692	7,277
Vice chair	5,000	5,000
	<u>43,661</u>	<u>44,427</u>
Office Running Costs		
Payroll	1,464	894
Audit	4,880	3,700
Legal & professional	9,700	1,361
Rent	46,945	46,945
Rates	24,087	23,490
Service charges	55,106	29,339
Insurance	1,360	1,516
Photocopying	1,676	1,729
Couriers	824	960
Telephone/fax/e-mail	7,517	5,759
Postage/stationery	6,508	8,487
Office equipment repairs	9,455	9,393
Staff travel/expenses	7,974	10,336
Bank charges	1,004	857
Canteen	2,582	2,493
Sundry	6,838	6,104
Depreciation	11,899	8,087
	<u>199,819</u>	<u>161,450</u>

	2008	2007
	£	£
Membership Support & Development		
Membership support visits	-	403
AGM and members' meetings	6,145	5,172
Recruitment of new members	46	-
Review principles of implementation	18,700	-
NGO funding scheme	20,000	20,048
Public procurement	7,762	3,465
Base Code consistency	-	5,610
	<u>52,653</u>	<u>34,698</u>
Events		
Issue-based seminars	107	473
Impact Assessment seminar	-	7,524
	<u>107</u>	<u>7,997</u>
Information		
Publications	1,746	3,963
Media relations strategy	10,839	8,081
Training development	660	2,240
Workbook version 2	-	10,066
Training catering	568	-
Toolkit for suppliers	14,517	-
Promotion visits to corporate members	279	-
Website re vamp	17,141	-
Retailer DVD	9,000	-
Homeworker educational leaflet	1,600	-
Columbia flowers events report	1,460	-
ETI annual report	10,006	9,142
ETI final assessment annual report	-	8,461
Website	11,263	23,779
	<u>79,079</u>	<u>65,732</u>
Pilot Programmes & Working Groups		
Experimental projects and working groups		
China child labour project	5,345	-
China decent work	10,518	-
Homeworkers	50,235	41,804
China working group	36,278	60,679
Annual reporting working group	27,163	44,100
Ready Made Garments (Sri Lanka) project	11,154	26,810
Gangmasters project	4,798	29,180
Purchasing Practices project	634	20,429
	<u>146,125</u>	<u>223,002</u>

Capacity Building

Set up of experimental capacity building fund		
Training development (Supervisor RSA)	9,636	31,676
Columbia capacity building	14,487	-
Turkey capacity building	6,388	-
Training development (India pilot)	-	3,363
MFA forum (Bangladesh)	-	1,252
	<u>30,511</u>	<u>36,291</u>

2008	2007
£	£

Research & Impact Assessment

Impact Assessment research	-	(1,180)
Research into priority areas	21,435	-
	<u>21,435</u>	<u>(1,180)</u>

JO-IN Project Expenditure

EU expenditure	26,894	27,827
US expenditure	38,079	41,865
GAP expenditure	-	25,322
ICCO expenditure	83,366	15,263
Nike expenditure	2,467	5,009
FLA expenditure	1,420	2,508
SAI expenditure	1,412	2,500
CCC expenditure	2,928	3,768
FWF expenditure	1,342	5,000
FS expenditure	3,175	-
	<u>161,083</u>	<u>129,062</u>