

ECRA Publishing Ltd - Abbreviated Annual Review

April 2008

1. Introduction

2007 proved to be a challenging year for Ethical Consumer with:

- (a) increasing competition, especially from free online data and broadsheet newspapers
- (b) falling sales for print media around the world.

Lower profitability has forced us to re-examine our business model and to come up with a new business plan. To some extent the changing business environment we are experiencing is a result of the enormous success of the ethical consumer message and its adoption as a mainstream concern. We remain convinced not only that Ethical Consumer can continue to make important contributions to these developments, but also that we can re-establish ourselves as a financially successful and sustainable business providing unique research on the reality of corporate behaviour to consumer markets.

2. Our new business model

Like all publishing companies we have long recognised that the internet would revolutionise information dissemination. Our previous business plan (2003-8) was based on building sophisticated website offerings and placing them behind pay-to-view gateways. We made a small amount of data available free and hoped that the uniqueness of our research would generate sufficient sales to cover our costs.

Along with other publishers it has now become clear that the culture of free data online is so strong that alternative approaches are not working. Throughout publishing in consumer markets the trend is now to build a range of revenue streams around a core of a very substantial amount of free data on the internet.

So, after analysing these trends and developing a much more active and sophisticated competitor analysis, we came up with the following plan in November 2007.

- **Innovating the website**
From May 2008 we plan to make short ethiscore tables, text and best buys from all product reports available free on our new website for all visitors.
- **Innovating the magazine**
A radical review of content with a goal of surprising the market in May 2008. Looking to: target content at particular sectors with developing specialities in ethical consumerism; aggregate content from wider contributors; and introduce price into product reviews.
- **Innovating consultancy**
Already contributing more than 15% of income, we plan to build this area by making pro-active grant applications for specific research projects and campaigns.

3. Restructuring ECRA and ECIS

In June 2007, following input from our non-executive directors, ECIS and ECRA agreed to look at means to restructure the group. The goal was to find us a structure which allowed us:

(a) Better access to capital

Our fixed term loanstock issues were inflexible and repayments on the 2003 issue would be falling due just as new investment was required.

(b) Better access to expertise

Our experience of appointing non-executive directors to the board of ECIS was very successful and we wanted to look at increasing external representation.

Following legal advice, ECRA is now pursuing a two stage proposal to:

- merge ECRA and ECIS into a single group (effective June 2008)
- convert ECRA into a multistakeholder co-operative (from Sept 08)

With the new structure based around an Industrial and Provident Society (e.g. Phone Co-op), anyone investing in the new ECRA will be able to become a member of the organisation and attend AGMs and elect consumer members onto the board. Workers will continue to elect a majority of the board members, non-executives will be appointed, and not-for profit ideals will remain at the core of the group.

As part of the merger, existing members and investors in ECIS will be invited to swap their current entitlements in return for loanstock in ECRA. Once the merger is complete we will then begin the conversion of ECRA from its current structure as a company limited by guarantee into an Industrial and Provident Society. This new structure will enable us to issue withdrawable share capital which, following conversion, it is proposed to offer to holders of the ECRA loanstock.

Once this transformation is complete we aim to have created a unique and truly democratic organisation with the capacity to take ethical consumerism forward for the next twenty years.

In March 2008, ECRA received a grant of £17,750 from the Co-operative Fund to help with the costs of implementing this restructuring proposal.

We are now in the process of writing to all members of and investors in ECRA and ECIS in order to provide more detail on the restructuring proposal and to initiate the formal steps required in order to authorise and implement the restructuring proposal.

4. ECRA and ECIS Directors' Review

April 2006 to March 2007

Section 8 below shows audited profit and loss accounts for ECRA and ECIS for the financial year to March 2007. These accounts had not been finalised at the time of the last Newsletter. ECRA made a profit on £11,767 and ECIS a loss of £3,534 - showing a small profit for the group as a whole.

April 2007 to March 2008

Our projected figures for the year to March 31st 2008 are for a loss at ECIS of around £18,000 and a loss at ECRA of around £12,000. Although these figures remain to be finalised, this means that the group as a whole is projecting a loss of around £30,000.

In 2007/8, having identified the financial trends, we instituted a price rise across all our products and began a program of investment from cash flow in:

- (a) a new subscriptions database to help us manage the increasingly complex relationships with online and off-line customers.
- (b) the new website due for launch in May 2008 (see Part 6 below).

5 Product Reports

Websites

As we mentioned in Part 2 above, our new website – with substantial free product report data – is a core part of our new business model. We are also planning regularly updated news and blog content on key areas such as Boycotts, Greenwash and Market Research, as well as facilities for user feedback on all areas.

The site is carefully designed to persuade users to sign up for revenue generating products such as ethiscore, corporate critic, the magazine and consultancy. The launch is planned for May 2008.

Magazine

We believe it will be difficult for ECRA to compete with mainstream ethical lifestyle and celebrity content from large publishers. So, whilst maintaining our generally accessible style, we plan to introduce new content to appeal to more specialist ethical consumer audiences. The new features will begin to appear from issue 114 (July 2008).

Consultancy and licensing

Our research on Child Labour in Cotton T-Shirt supply chains is due for publication in May 2008 in Belgium, Spain, Portugal and Italy. Consultancy order books are already nearly full for 2008/9. Licensing our reports for publication by others has presented problems in the past, however significant new projects for 2008/9 – learning from our previous experiences - are close to completion.

Best Buy Logo

In February 2008 we trademarked an Ethical Consumer Best Buy logo which companies may display on their products – in the same way as a Vegetarian Society V or Fairtrade Logo. This was largely in response to demand from smaller companies looking to differentiate themselves in increasingly competitive ethical markets. We are currently meeting sales targets for more than £20,000 of income for this product in the next financial year.

6. Profit and Loss Accounts for the Financial Year to March 31st 2007.

ECRA Publishing Ltd Audited profit and loss accounts	For the year to 31 March 2007	For the year to 31 March 2006
TURNOVER	250,0602	207,625
COST OF SALES	(75,678)	(61,472)
GROSS PROFIT	174,382	146,153
ADMINISTRATIVE EXPENSES	(186,252)	(171,739)
OTHER OPERATING INCOME	41,7688	68,682
OPERATING PROFIT/LOSS	11,394	25,698
INTEREST RECEIVABLE	5,633	5,298
INTEREST PAYABLE	(6,239)	(5,071)
PROFIT/LOSS FOR THE YEAR	10,788	25,925

ECIS Ltd Audited profit and loss accounts	For the year to 31 March 2007	For the year to 31 March 2006
TURNOVER & GROSS PROFIT/(LOSS)	85,075	62,094
ADMINISTRATIVE EXPENSES	(76,433)	(87,736)
OTHER OPERATING INCOME	-	-
OPERATING PROFIT/LOSS	8,642	(25,624)
INTEREST RECEIVABLE	356	461
INTEREST PAYABLE	(12,512)	(12,106)
PROFIT/LOSS FOR THE YEAR	(3,514)	(37,287)

4. ECRA Publishing Ltd Balance Sheet as at March 31st 2007

	2007	2006
Fixed Assets		
Tangible Assets	5,524	1,114
Investments	930	939
	6,454	2,053
Current Assets		
Stock	477	818
Debtors	157,076	152,034
Cash at Bank and in hand	104,176	81,288
Creditors: amounts falling due in less than one year	(120,218)	(97,608)
Net Current Assets	141,511	136,532
Total assets less current liabilities	147,965	138,585
Creditors: amounts falling due in more than one year	(90,000)	(90,000)
Net Assets	57,965	48,585
Capital and Reserves		
Accumulated Reserves	57,965	48,585

5. Ethical Consumer Information Systems Balance Sheet 31st March 2007

	2007	2006
Fixed Assets		
Tangible Assets	9,829	11,237
Current Assets		
Debtors	4,526	5,371
Cash at Bank and in hand	21,878	29,918
	26,404	35,289
Creditors: amounts falling due in less than one year	(37,881)	(42,160)
Net Current Assets	(11,477)	(6,871)
Total assets less current liabilities	(1,648)	4,366
Creditors: amounts falling due in more than one year	(167,500)	(170,000)
Net Assets	(£ 169,148)	(£ 165,634)
Capital and Reserves		
Called up share capital	1,000	1,000
Share premium account	9,980	9,980
Profit and loss account	(180,128)	(176,614)
	(£ 169,148)	(£ 165,634)

ECRA Publishing Limited owns 93.0% of ECIS and is the ultimate controlling company.