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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

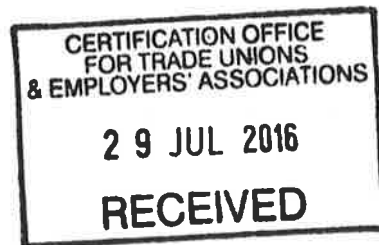
Name of Employers' Association:	BUILDING ENGINEERING SERVICES ASSOCIATION
Year ended:	29 FEBRUARY 2016
List No:	043/E
Head or Main Office:	LINCOLN HOUSE 137-143 HAMMERSMITH ROAD LONDON W14 0QL
Website address (if available)	WWW.THEBESA.COM
Has the address changed during the year to which the return relates?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> (Tick as appropriate)
General Secretary:	Mr Mark Oakes
Contact name for queries regarding the completion of this return:	Ms Skye Hardy
Telephone Number:	01768 860432
e-mail:	Skye.hardy@thebesa.com

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

For Employers' Associations based in Scotland:
Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG



BUILDING & ENGINEERING SERVICES ASSOCIATION

Annual report and financial statements
for the year ended 29 February 2016

Members of the Council who have served during the year

J. Marner – Shepherd Engineering Services (President)
M. Thomson – Enigma Environmental Services
T Hopkinson – Hargreaves Ductwork Ltd
A. Sneyd – Crown House Technologies
D. Bailey – Brothwell Irvine Ltd
B. Bisset – Galloway Group Ltd
A. Blunsdon – Priddy Engineering Services Ltd
G. Borgese – Bouygues E&S FM UK Ltd
S. Bradshaw – Shepherd Engineering Services
A. Brewer – ENGIE FM Ltd
R. Briggs – Maurice Flynn & Sons Ltd
T. Brunt – Briggs and Forrester (Special Projects) Ltd
M. Burton – Delron Services Ltd
A. Byrne – Gratte Brothers Ltd
J. Canning – NBC (Air Conditioning) Ltd
S. Carter – NG Bailey Facilities Services
G. Clay – GCSI Ltd
G. Fox – Specialist Mechanical Services
N. Freeman – Carter Synergy Ltd
S. Gleed – Ceilite Airconditioning Ltd
A. Gregory – Independent Hygiene Services Ltd
J. Hodgson – Vaughan Engineering Ltd
T. Hopkins – Hargreaves Ductwork Ltd
N. James – Arnold James (St Albans) Ltd
J. Kilgannon – TRS Ltd
B. Lane – Roperhurst Ltd
R. Littleford – Jarvis Heating
M. McCloskey – Argent FM Ltd
J. Miller – J.H. Shouksmith & Sons Ltd
T. Mottram – Pipe Systems Ltd
J. Norfolk – Imtech Engineering Services Central
G. Parslow – Galloway Group Ltd
J. Robinson – Mansfield Pollard & Co Ltd
J. Smith – Cool Heat Services Ltd
A. Tonkin – Crown House Technologies
B. Townsend – End Systems Ltd
G. Vaughan – E. Poppleton & Son Ltd
B. Wilgar – A.C. Wilgar Ltd
A. Williams – Cool Solution Refrigeration Ltd

Members of the Finance Committee who have served during the year

J. Miller (Chairman)
B. Bisset
M. Burton
P. Fox
T Hopkinson
B. Lea
M. McCloskey
J. Marner
G. Robinson
S. Sharp
A. Sneyd
M. Thomson
B. Townsend
G. Vaughan
P. McLaughlin (Chief Executive)
R. Barraclough (Finance Director)
B. Kirton

Secretary to the Committee

S. Hardy (Financial Controller)

Auditors

Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
1265	45	n/a	1	1311

OFFICERS IN POST

(see note 10)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
President	A Sneyd	J Marner	09/07/2015
President Elect	J Marner	M Thomson	09/07/2015
Vice President	M Thomson	T Hopkinson	09/07/2015
Immediate Past President	B Bisset	A Sneyd	09/07/2015

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year		£	£
	INCOME		
3,637,034	From Members Subscriptions, levies, etc		3,747,020
39,261	Investment income Interest and dividends (gross)	34,526	
11,319,248	Other – Income from Related Parties	43,012	77,538
	Other income Rents received	16,305	3,824,558
505,328	Insurance commission	398,392	
480,256	Assessment	33,866	
2,805,864	Training Agency	2,005,944	
3,879,431	Welfare and other services	4,108,938	
	Gain arising on FV of investment property	87,510	
			6,650,955
22,666,422			10,475,513
	TOTAL INCOME		
	EXPENDITURE		
	Administrative expenses		
6,424,815	Remuneration and expenses of staff	6,061,202	
928,427	Occupancy costs	581,795	
301,526	Printing, Stationery, Post & Telephone	408,374	
1,390,452	Legal and Professional fees	1,668,799	
96,984	Publicity	178,374	
1,119,536	College fees and grants payable	823,150	
595,007	Travel and motor expenses	424,349	
10,856,746			10,146,043
16,684	Other charges Bank charges	17,765	
261,617	Depreciation	248,079	
118,434	Affiliation fees	117,527	
187,911	Insurance claims paid	97,015	
36,885	Conference and meeting fees	101,018	
18,703	Expenses	368,484	
(404,000)	Finance cost (previously FRS17)	351,000	
3,218,600	Actuarial (gain)/loss (previously FRS17)	(1,341,000)	
16,715	Bad debt provision	119,694	
79,221	Sums written off	0	
35,000	Impairment charge	0	
0	Profit on sale of fixed assets	(8,100)	
3,583,770			71,482
2,208,968	Taxation		474,796
16,649,484			10,692,321
	TOTAL EXPENDITURE		
6,016,938	Surplus/Deficit for year		(216,808)
942,124	Amount of fund at beginning of year (restated FRS102 – refer to attached Financial Statements)		6,703,880
6,959,062	Amount of fund at end of year		6,487,072

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

BALANCE SHEET AS AT [29 FEBRUARY 2016]

(see notes 19 and 20)

Previous Year		£	£
	Fixed Assets (as at page 11)		
2,055,777	Tangible Assets		1,225,751
101,523	Intangible Assets		594,521
-	Investment Property		810,943
	Investments (as per analysis on page 13)		
55,571	Quoted	0	
9,714,836	Unquoted	9,551,162	
9,770,407	Total Investments		9,551,162
	Other Assets		
4,294,496	Sundry debtors	3,772,699	
5,815,575	Cash at bank and in hand	3,186,102	
	Stocks of goods		
10,211,594	Total of other assets		6,958,801
22,037,778	TOTAL ASSETS		19,141,178
6,959,062	Fund (Account)		
	Fund (Account)		
	Statutory Reserve		6,487,072
	Revaluation Reserve		
	Liabilities		
	Loans		
137,091	Bank overdraft	-	
	Tax payable		
6,742,465	Sundry creditors	3,817,106	
	Accrued expenses		
	Provisions		
8,199,160	Other liabilities – pension liability	8,837,000	
15,078,716	TOTAL LIABILITIES		12,654,106
22,037,778	TOTAL ASSETS		19,141,178

FIXED ASSETS ACCOUNT

(see note 21)

	Freehold Property	Equipment, furniture & fittings	Motor Vehicles	Total
	£	£	£	£
COST OR VALUATION				
At start of period per Last Return	1,567,754	487,024	1,000	2,055,777
FRS102 Adj reclassify to Intangibles	(294,476)	(256,248)	-	(550,723)
At start of period per Financial Statements	1,273,278	230,776	1,000	1,505,054
Additions during period	127,358	122,105	28,466	277,929
Reclassification of Investment Property	(418,490)	-	-	(418,490)
Less: DEPRECIATION				
Charge for the year	(15,768)	(132,201)	(6,773)	(154,742)
Attributable to reclassification of Investment Property	16,000			16,000
BOOK AMOUNT at end of period	982,377	220,680	22,693	1,225,751
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET	982,377	220,680	22,693	1,225,751

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Quoted Investments	
UNQUOTED	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
	Welfare Holdings (H&V) Ltd	27,352
	ESCA Estates Ltd – Interest in associates	9,523,810
	TOTAL UNQUOTED (as Balance Sheet)	9,551,162
*Market Value of Unquoted Investments	NOT AVAILABLE	

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
If YES name the relevant companies:			
COMPANY NAME B&ESA Ltd	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered) 852809		
INCORPORATED EMPLOYERS' ASSOCIATIONS			
Are the shares which are controlled by the association registered in the association's name		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME N/A	NAMES OF SHAREHOLDERS		
UNINCORPORATED EMPLOYERS ASSOCIATIONS			
Are the shares which are controlled by the association registered in the names of the association's trustees?		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME B&ESA Ltd	NAMES OF SHAREHOLDERS B Townsend M K Burton G P Manly		

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	3,747,020		3,747,020
From Investments	43,012		43,012
Other Income (including increases by revaluation of assets)	6,685,481		6,685,481
Total Income	10,475,513		10,475,513
EXPENDITURE (including decreases by revaluation of assets)	10,692,321		10,692,321
Total Expenditure	10,692,321		10,692,321
Funds at beginning of year (including reserves)	6,703,880		6,703,880
Funds at end of year (including reserves)	6,487,072		6,487,072
ASSETS			
Fixed Assets			2,631,215
Investment Assets			9,551,162
Other Assets			6,958,801
		Total Assets	19,141,178
LIABILITIES			
		Total Liabilities	12,654,106
NET ASSETS (Total Assets less Total Liabilities)			6,487,072

NOTES TO THE ACCOUNTS

(see note 36)

All notes to the accounts must be entered on or attached to this part of the return.

Refer to attached Financial Statements.

ACCOUNTING POLICIES



(see notes 37 and 38)

Refer to attached Financial Statements.

SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: 	Chairman's Signature:  FINANCE DIRECTOR (or other official whose position should be stated)
Name: Mark Oakes	Name: Ray Barraclough
Date: 26/07/16	Date: 27/07/16

CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	✓	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	✓	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	✓	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	✓	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	✓	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	✓	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 43 and 44)

YES

If "No" please explain below.

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 43)

If "No" please explain below.

Please refer to the attached Financial Statements for audit report issued

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in note 43)


If "No" please explain below.

Please refer to the attached Financial Statements for audit report issued

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 45)

Please refer to the attached Financial Statements for audit report issued

AUDITOR'S REPORT (continued)

Signature(s) of auditor or auditors:		
Name(s):	Mazars LLP	
Profession(s) or Calling(s):	Chartered Accountants and Statutory Auditor	
Address(es):	The Lexicon Mount Street Manchester M2 5NT	
Date:	28 July 2016	
Contact name and telephone number:	Timothy Hudson 0161 831 1129	

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.

**BUILDING & ENGINEERING
SERVICES ASSOCIATION**

Annual Report and Financial Statements

Year Ended

29 February 2016

BUILDING & ENGINEERING SERVICES ASSOCIATION

**Annual report and financial statements
for the year ended 29 February 2016**

Page	
1	Council and Finance Committee members and auditors
2-4	Report of the Finance Committee
5	Report of the Independent Auditors
6	Consolidated Statement of Comprehensive Income
6	Consolidated Statement of Changes in Reserves
7	Consolidated Balance Sheet
8	Association Statement of Comprehensive Income
8	Association Statement of Changes in Reserves
9	Association Balance Sheet
10	Consolidated Cash Flow Statement
11-32	Notes forming part of the financial statements

BUILDING & ENGINEERING SERVICES ASSOCIATION

Annual report and financial statements
for the year ended 29 February 2016

Members of the Council who have served during the year

J. Marnier – Shepherd Engineering Services (President)
M. Thomson – Enigma Environmental Services
T Hopkinson – Hargreaves Ductwork Ltd
A. Sneyd – Crown House Technologies
D. Bailey – Brothwell Irvine Ltd
B. Bisset – Galloway Group Ltd
A. Blunsdon – Priddy Engineering Services Ltd
G. Borgese – Bouygues E&S FM UK Ltd
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J. Norfolk – Imtech Engineering Services Central
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J. Smith – Cool Heat Services Ltd
A. Tonkin – Crown House Technologies
B. Townsend – End Systems Ltd
G. Vaughan – E. Poppleton & Son Ltd
B. Wilgar – A.C. Wilgar Ltd
A. Williams – Cool Solution Refrigeration Ltd

Members of the Finance Committee who have served during the year

J. Miller (Chalman)
B. Bisset
M. Burton
P. Fox
T Hopkinson
B. Lea
M. McCloskey
J. Marnier
G. Robinson
S. Sharp
A. Sneyd
M. Thomson
B. Townsend
G. Vaughan
P. McLaughlin (Chief Executive)
R. Barraclough (Finance Director)
B. Kirton

Secretary to the Committee
S. Hardy (Financial Controller)

Auditors
Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

BUILDING & ENGINEERING SERVICES ASSOCIATION

Report of the Finance Committee for the year ended 29 February 2016

The members of the Finance Committee present their annual report and the audited financial statements for the year ended 29 February 2016.

Principal activities

The principal activities of the Association are as a trade and employers' association, representing businesses connected with all aspects of design, installation, commissioning, maintenance, control and management of services and engineering systems in buildings and other facilities in the United Kingdom. The activities of the subsidiary and related undertakings include the provision of welfare and other related services, insurance, skills registration, training, the operation of competent persons schemes and property ownership.

New Financial Reporting Standard

Although the Association is unincorporated, and therefore not governed by the Companies Act, the Finance Committee has maintained a policy that the Association's financial statements will be produced not only in accordance with current United Kingdom Accounting Standards but, to the extent practicable, also with relevant accounting provisions of the Companies Act 2006.

These financial statements are the first to be affected by the newly introduced accounting standard FRS102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland'). Compliance with FRS 102 has required some fairly significant changes in both format and numbers, including the adjustment of comparative figures and the re-statement of Group reserves. These changes have been explained in note 22 which summarises the impact and re-statements that have been required in respect of past figures.

Another result of the introduction of FRS 102 has been the re-naming of the Consolidated Profit and Loss Account on page 6 as the Consolidated Statement of Comprehensive Income. However, this still contains relevant detail on Turnover, Gross Profit and the net results before and after taxation, and is now followed by a summary showing the changes in the reserves.

Review of the business of the Group

In its report for the previous year ended 28 February 2015, the Finance Committee highlighted the fact that the results for that year were distorted by the inclusion of an amount of £11.303 million in respect of the Association's share of the surplus, held within Esca Estates Limited, realised on the sale of Esca House. The Committee also stressed that this surplus was irrelevant in terms of its target of returning the Group to operational surplus which, due to issues within certain subsidiaries in the current year, it only expected to be in a position to report in the year ending 28 February 2017.

In line with the Committee's expectations, the operating results for the year ended 29 February 2016 as now presented reflect the impact of the required action in certain areas of the Group. However, despite the operational deficit, the total reported result for the year reflects an overall surplus before taxation due, against recent trends, to positive movements in the factors that determine the assessment of the latest provision for the pension scheme liability. Even allowing for the adjustments required to comply with the new accounting standard (FRS 102) mentioned above, and deferred taxation, the net reserves are reasonably close to the level reported last year.

With regard to the year ending 28 February 2017, after careful review, and although generally satisfied with the level of progress to date, the Finance Committee has recognised that recent management and structural changes will take longer to impact on the bottom line than previously anticipated. An improvement in the operating deficit is however expected with a return to surplus projected for the year ending 28 February 2018.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Report of the Finance Committee for the year ended 29 February 2016 (Continued)

Principal risks and uncertainties

The principal business risks divide between the Association and its subsidiaries. For the Association itself, there are two key risks, the first of which is that, as in any member organisation, it will suffer a loss of subscription income. This risk includes not only the loss of income caused by member losses or reduced member turnover following the recession, but also from a lack of commercial satisfaction for continuing members. The second risk is that the subsidiary companies will continue to provide insufficient net income in total to ensure coverage for the net expenditure, after member subscriptions, incurred by the Association in its operations on behalf of its members.

Finance Committee members and their interests

The following changes took place during the year:

T Hopkinson (appointed 9 July 2015)
B Bisset (Resigned 9 July 2015)
B Townsend (Resigned 29 April 2015)
P McLaughlin (Appointed 25 August 2015)
M McCloskey (Deceased 17 February 2016)
G Vaughan (Deceased 29 February 2016)

None of the Committee members had any beneficial interest in the shares of any Group companies.

Corporate governance statement

The Association is not required to comply with the provisions of the Combined Code as it is not a public listed company. However, the Finance Committee is committed to high standards of corporate governance and to compliance with those provisions of the Code considered appropriate to the nature and size of the Association.

Statement of Council responsibilities

The Council is responsible for preparing the annual report and the financial statements in accordance with the Constitution of the Association.

The Constitution requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the Council is required in accordance with United Kingdom Generally Accepted Accounting Practice to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association and Group will continue in business.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and Group. It is also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Acting under delegation from the Council, all of the current members of the Finance Committee have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The members of the Finance Committee are not aware of any relevant audit information of which the auditors are unaware.

BUILDING & ENGINEERING SERVICES ASSOCIATION

**Report of the Finance Committee
for the year ended 29 February 2016 (Continued)**

Auditors

Mazars LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Finance Committee
on behalf of the Council**



**A J Miller
Chairman**

Date: 10 June 2016

BUILDING & ENGINEERING SERVICES ASSOCIATION

Report of the independent auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUILDING & ENGINEERING SERVICES ASSOCIATION

We have audited the financial statements of Building & Engineering Services Association for the year ended 29 February 2016 which comprise the Association and Consolidated Statement of Comprehensive Income, the Association and Consolidated Statement of Changes in Reserves, the Association and Consolidated Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of directors and auditor

As explained more fully in the Council's Responsibilities Statement set out on page 3 the Council 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the members of the Association as a body in accordance with the constitution, rules and byelaws of the Association. Our work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body for our audit work, for this report, or for the opinion we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Association's affairs as at 29 February 2016 and their deficits for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".



Timothy Hudson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

Date: 10 June 2016.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Consolidated Statement of Comprehensive Income for the year ended 29 February 2016

	Note	2016 £	2015 £
Turnover	2	10,310,465	11,080,621
Cost of sales		(6,770,951)	(7,508,256)
Gross surplus		<u>3,539,514</u>	<u>3,572,365</u>
Administrative expenses		(4,436,574)	(3,715,523)
Operating (deficit) / surplus	5	<u>(897,060)</u>	<u>(143,158)</u>
Gains arising on fair value of investment property	11	87,510	-
Income from interests in associated undertakings	6	43,012	11,319,248
Other interest receivable and similar income	7	34,526	39,261
Interest payable and similar charges	19	(351,000)	(296,000)
(Deficit) / surplus on ordinary activities before taxation		<u>(1,083,012)</u>	<u>10,919,351</u>
Tax on (deficit) / surplus on ordinary activities	8	(233,416)	(2,208,968)
(Deficit) / surplus on ordinary activities after taxation		<u>(1,316,428)</u>	<u>8,710,383</u>
Other comprehensive income:			
Re-measurements in respect of the defined benefit scheme	19	1,341,000	(3,721,000)
Movements in related deferred tax provision	17	(241,380)	804,400
Total other comprehensive income		<u>1,099,620</u>	<u>2,916,600</u>
Total comprehensive income for the year		<u>(216,808)</u>	<u>5,793,783</u>

Consolidated Statement of Changes in Reserves for the year ended 29 February 2016

	Accumulated Funds £	Statutory Reserves £	Total £
At 1 March 2014 as restated	541,610	368,487	910,097
Surplus on ordinary activities	8,710,383	-	8,710,383
Total other comprehensive income	(2,916,600)	-	(2,916,600)
At 28 February 2015 as restated	<u>6,335,393</u>	<u>368,487</u>	<u>6,703,880</u>
Deficit on ordinary activities	(1,316,428)	-	(1,316,428)
Total other comprehensive income	1,099,620	-	1,099,620
At 29 February 2016	<u>6,118,585</u>	<u>368,487</u>	<u>6,487,072</u>

The Statutory Reserve relates to specific reserves held by Piper Insurance Company Limited under Regulation 12 of the Isle of Man Insurance Regulations 1986.

The notes on pages 11 to 32 form part of these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Consolidated Balance Sheet at 28 February 2018

	Note	2018	2016	2016	2016
		£	£	£	£
Fixed assets					
Intangible assets	9		684,521		357,770
Tangible assets	10		1,225,751		1,305,094
Investment property	11		810,943		320,943
Investments in associate undertakings	12		0,581,162		0,721,638
			<u>12,182,377</u>		<u>11,095,606</u>
Current assets					
Debitors:					
Amounts falling due within one year	13	1,807,791		4,294,406	
Amounts falling due after one year	13	<u>1,874,808</u>		<u>2,350,015</u>	
		3,772,600		6,644,511	
Investments	14	-		55,571	
Cash at bank and in hand	16	3,186,102		5,516,576	
		<u>3,058,001</u>		<u>12,216,067</u>	
Creditors: amounts falling due within one year	16	<u>3,817,106</u>		<u>7,167,382</u>	
Net current assets			<u>3,141,695</u>		<u>5,048,276</u>
Total assets less current liabilities			<u>15,324,072</u>		<u>16,853,880</u>
Pension scheme liability	19		(6,837,000)		(10,250,000)
			<u>6,487,072</u>		<u>6,703,880</u>
Represented by:					
Total reserves			<u>6,487,072</u>		<u>6,703,880</u>

These financial statements were approved and authorised for issue by the Finance Committee on behalf of the Council of the Building & Engineering Services Association 10 June 2018.

A J Miller
Chairman of the
Finance Committee



P McLaughlin
Chief Executive



The notes on pages 11 to 32 form part of these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Association Statement of Comprehensive Income for the year ended 29 February 2016

	Note	2016 £	2015 £
Turnover	2	3,747,020	4,175,347
Cost of sales		(2,612,562)	(3,226,642)
Gross profit		<u>1,134,458</u>	<u>948,705</u>
Administrative expenses		(2,042,392)	(1,525,829)
Other operating income	19	149,980	142,560
Operating deficit	5	<u>(757,954)</u>	<u>(434,564)</u>
Dividends from subsidiary undertakings		700,000	450,000
Dividends from associated undertakings	12	210,000	60,000
Fair value adjustment on investments in associates	12	(185,432)	(60,000)
Interest receivable and similar income		354	24
Interest payable and similar charges	19	(351,000)	(296,000)
Deficit on ordinary activities before taxation		<u>(384,032)</u>	<u>(280,540)</u>
Taxation	8	(217,664)	59,579
Deficit on ordinary activities after taxation for the year		<u>(601,696)</u>	<u>(220,961)</u>
Other comprehensive income:			
Re-measurements in respect of the defined benefit scheme	19	1,341,000	(3,721,000)
Movements in related deferred tax provision	17	(241,380)	804,400
Total other comprehensive income		<u>1,099,620</u>	<u>2,916,600</u>
Total comprehensive income for the year		<u><u>497,924</u></u>	<u><u>2,695,639</u></u>

Statement of Changes in Reserves for the year ended 29 February 2016

	Accumulated Funds £
At 1 March 2014 as restated	5,538,758
Deficit on ordinary activities	(220,961)
Other comprehensive income	(2,916,600)
Balance 28 February 2015 as restated	<u>2,401,197</u>
Deficit on ordinary activities	(601,696)
Other comprehensive income	1,099,620
At 29 February 2016	<u><u>2,899,121</u></u>

The notes on pages 11 to 32 form part of these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Association Balance Sheet at 29 February 2016

	Note	2015 £	2016 £	2015 £	2016 £
Fixed assets					
Tangible assets	10		35,303		52,544
Investments in subsidiary undertakings	12		100,000		100,000
Investments in associate undertakings	12		9,523,810		9,709,242
			<u>9,659,113</u>		<u>9,861,786</u>
Current assets					
Debtors:					
Amounts falling due within one year	13	2,588,763		2,525,289	
Amounts falling due after one year	13	1,890,861		2,350,015	
		<u>4,479,624</u>		<u>4,875,304</u>	
Cash at bank and in hand	15	23,859			
		<u>4,503,483</u>		<u>4,875,304</u>	
Creditors: amounts falling due within one year	16	2,426,275		2,085,873	
Net current assets			<u>2,077,008</u>		<u>2,789,411</u>
Total assets less current liabilities			<u>11,736,121</u>		<u>12,651,197</u>
Pension scheme liability	19		(8,837,000)		(10,250,000)
			<u>2,899,121</u>		<u>2,401,197</u>
Represented by:					
Accumulated funds			<u>2,899,121</u>		<u>2,401,197</u>

These financial statements were approved and authorised for issue by the Finance Committee on behalf of the Council of the Building & Engineering Services Association on 10 June 2016.

A J Miller
Chairman of the
Finance Committee



P McLaughlin
Chief Executive



The notes on pages 11 to 32 form part of these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Consolidated cash flow statement for the year ended 29 February 2016

	Note	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities					
Operating (loss) / profit		(1,083,012)		10,919,351	
Adjustments for:					
Depreciation of tangible assets		154,742		170,642	
Impairment of intangible assets		-		30,000	
Amortisation of intangible assets		93,340		94,679	
Fair value gain on investment property		(87,510)		-	
Income from investment in associate		(43,012)		(11,319,248)	
Cash outflow from pension contributions		(422,690)		(400,000)	
Operating cash flow before movement in working capital		<u>(1,388,142)</u>		<u>(504,576)</u>	
Increase / (decrease) in debtors		2,396,705		(1,132,355)	
(Increase) / decrease in creditors		(3,350,276)		1,150,052	
Interest received		(34,526)		39,262	
Interest payable		351,000		-	
Taxation received		3,689		-	
Net cash outflow from operating activities		<u>(2,021,550)</u>		<u>(447,617)</u>	
Cash flows from investing activities					
Payments to acquire tangible assets		(277,929)		(154,879)	
Dividends received from associate		210,000		63,554	
Payments to acquire intangible assets		(330,091)		-	
Proceeds from sales of investments		55,571		504,259	
Net cash (outflow)/inflow from investing activities		<u>(342,449)</u>		<u>412,934</u>	
Cash flows from financing activities					
Interest received		34,526		-	
Net cash inflow from financing activities		<u>34,526</u>		<u>-</u>	
Net decrease in cash and cash equivalents		<u>(2,329,473)</u>		<u>(34,683)</u>	
Cash and cash equivalents at the beginning of the year		5,515,575		5,550,258	
Cash and cash equivalents at the end of the year		<u>3,186,102</u>		<u>5,515,575</u>	
Cash and cash equivalents consists of:					
Cash at bank and in hand		3,186,102		5,515,575	
Cash and cash equivalents	15	<u>3,186,102</u>		<u>5,515,575</u>	

The notes on pages 11 to 32 form part of these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements for the year ended 29 February 2016

1 Accounting policies

1.1 General information

The Association is an unincorporated body operating in the United Kingdom. Its principal place of business is Lincoln House, 137-143 Hammersmith Road, London W14 0QL.

The Association is a parent undertaking and these financial statements present the financial information of the Association and its subsidiary undertakings (together referred to as "the Group"). They are presented in pounds sterling which is the functional currency of the Group.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' ('FRS102'), and under the historical cost convention except for investment properties and investment in associates which are held at fair value.

1.3 Transition to FRS 102

The financial statements for the year ended 29 February 2016 are the first to be prepared in accordance with FRS 102. The date of transition to FRS 102 is therefore 1 March 2014 and the reserves as at that date, together with the comparative figures for the year ended 28 February 2015 have been re-stated where required. Details of the impact of the changes are set out in Note 22.

1.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Association and its subsidiary undertakings for the year ended 29 February 2016. Undertakings are regarded as Subsidiaries where the Association has control over them and has the power to govern their financial and operating policies so as to obtain benefit from their activities. The results of subsidiaries are included from the date of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The accounting years of all subsidiaries are co-terminus with those of the Association. Details of the subsidiaries are provided in Note 23.

1.5 Non-consolidation of related charitable company

The Group is the sole member of Engineering Services Training Trust Limited, an incorporated charity, and has the right to appoint and remove all Trustees to the board. In accordance with FRS 102 a control relationship exists due to the power to appoint or remove the majority of board members, however the Trust must operate within its charitable objects and on winding up the Group and thus has no right to obtain the benefit of the activities of the Trust. Accordingly, the Finance Committee considers that consolidating the Trust into the Group financial statements would misrepresent the Association's activities and financial position.

1.6 Going concern

These financial statements have been prepared on a going concern basis. The Finance Committee, acting on behalf of the Council, has considered the various business risks applicable to the Group businesses, and has assessed the level of potential uncertainty in relation to the financial projections for a period of at least twelve months from the date of signing of the financial statements.

Based on this assessment, the Finance Committee considers that the Group has an appropriate level of liquidity to meet the demands of the business and has therefore continued to adopt the going concern basis of accounting in preparing these financial statements.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

1 Accounting policies (continued)

1.7 Revenue recognition

Turnover in relation to subscriptions, welfare and other services, assessment, registration and other income represents sales recorded for the period to which they relate less value added tax where applicable. Subscription income is recognised in relation to the subscription year to which it relates on an accruals basis.

Training income resulting from learner achievements is recognised in respect of all learners for whom notification of achievement has actually been received in the financial year up to the balance sheet date. This ensures that all conditions for the Group's entitlement to income in that financial year have been met.

Insurance income represents net premiums written, which in turn represent the proportion of premiums written which relate to periods of insurance up to the balance sheet date net of reinsurance premiums payable. The method of calculation adopted is to the nearest day.

1.8 Investments

The Group accounts for shares in associated companies using the equity method. The Statement of Comprehensive Income includes the Group's share of the pre-tax profits and attributable taxation of the associated companies based on audited financial statements. In the Balance Sheet, the investment in associated companies is shown as the Group's share of the distributable net assets.

Investments in subsidiaries and joint venture entities are recognised by the Association at cost less any provision for impairment. Investments in associates are recognised by the Association at fair value through the Income Statement.

1.9 Intangible Fixed Assets

Goodwill

Goodwill arising on an acquisition of a trade or subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the income statement over its estimate of useful economic life which ranges from four to ten years. Impairment tests on the carrying value of goodwill are undertaken.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The Group recognises an intangible asset in respect of development expenditure when it can demonstrate:

- its technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation of capitalised development expenditure does not commence until the asset is available for use. All expenditure not meeting the criteria set out above is considered to form part of the 'research' phase, and is expensed in the period in which it is incurred. Other intangibles constitute software and website development costs.

The periods amortised over are as follows:

Development expenditure	4 years
Other	4 years

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

1 Accounting policies (continued)

1.10 Tangible assets

Property (other than investment property), vehicles and equipment are initially recognised at cost, which is the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost, less estimated residual values of fixed assets over their expected useful lives. It is calculated at the following rates:

Freehold buildings	2% per annum
Motor vehicles	25% per annum
Equipment, furniture and fittings	15% per annum
Computers and software	25% per annum

1.11 Investment property

Property held for investment is not subject to depreciation but is held at an annually assessed fair value, with any adjustments being charged to the Income Statement, together with a provision for deferred taxation.

1.12 Impairment of assets

At each reporting date the Group reviews the carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows. Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in the Income Statement.

1.13 Financial Instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds only basic financial instruments, which comprise cash and cash equivalents, trade and other receivables, equity investments, trade and other payables, and other financial instruments.

Financial assets – classified as basic financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Group assesses whether there is objective evidence that any receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the Income Statement.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

1 Accounting policies (continued)

1.13 Financial Instruments (continued)

(iii) Equity Investments

Equity investments are initially recognised at fair value, which is the transaction price excluding transaction costs and are subsequently measured at fair value through profit or loss where a reliable fair value can be measured. Where the fair value cannot be measured reliably, the equity instruments are held as cost less impairment.

Financial liabilities – classified as basic financial instruments

Trade and other payables and loans and borrowings

Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

1.14 Taxation

Tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future gives rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.15 Pension costs

Contributions to the Group's defined contribution pension scheme are charged to the Income Statement in the year in which they become payable.

The defined benefit pension scheme is a group multi-employer scheme, the assets of which are held separately from those of the Group. Its members are, or have been, employees of the Association and certain subsidiaries: Welplan Limited; Building Engineering Services Training Limited; and Piper Assessment Limited. The Scheme closed to future accrual with effect from 28 February 2013.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

1 Accounting policies (continued)

1.15 Pension costs (continued)

The actuary has determined that a realistic split of the assets and liabilities for allocation to member entities cannot be reliably achieved and the full net liability in respect of the Scheme, as determined by the actuary in accordance with FRS 102, is therefore provided in the accounts of the Association as the principal employer.

Under FRS 102, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bonds of equivalent currency and term to the scheme liabilities. Actuarial valuations for FRS102 purposes are obtained at each balance sheet date.

1.16 Leases

Rental costs under operating leases are charged in the Income Statement in equal annual amounts over the period of the lease.

1.17 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Finance Committee and subsidiary company directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Accounting judgements

The critical accounting judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed below:

Intangible assets

Intangible assets are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given in note 1.9 to these financial statements. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets and the expected period of benefits.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

1 Accounting policies (continued)

1.17 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of defined benefit pension scheme

The Group has obligations in respect of benefits due for pension scheme members. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy; salary increases; assets valuations; and the discount rate to be applied. An actuary is engaged to estimate these factors in determining the pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Valuation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the Income Statement. In respect of one property, the Group engaged an independent valuation specialist to determine fair value at 29 February 2016. The valuer used a valuation technique based on a discounted cash flow model adjusted for comparable market. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate.

2 Turnover

Turnover for the Group during the year was as follows:

	2016	2015
	£	£
Subscriptions	3,747,020	3,637,034
Welfare and other services	2,130,867	2,172,377
Training	2,005,944	2,805,864
Insurance	398,392	505,328
Assessment	50,171	538,313
Registration	1,072,920	449,751
Other income	905,151	971,954
	<u>10,310,465</u>	<u>11,080,621</u>

Turnover of the Group originates in the United Kingdom and the Isle of Man.

The Assessment income included above relates to activities that were discontinued shortly after the previous year end. All other income relates to continuing operations.

Turnover for the Association during the year was as follows:

	2016	2015
	£	£
Subscriptions	3,700,541	3,569,224
Assessment	-	538,313
Other income	46,479	67,810
	<u>3,747,020</u>	<u>4,175,347</u>

Turnover of the Association originates in the United Kingdom and all income relates to continuing operations.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

3 Employee numbers

The number of employees of the organisation at the year-end was as follows:

	2016 Number	2015 Number
The Association	30	34
Building Engineering Services Training Limited	15	36
Welplan Limited	72	64
Piper Assessment Limited	-	8
	117	142
	117	142

4 Key management personnel disclosure

Employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals in £345,184 (2015 - £382,736).

5 Deficit on ordinary activities before taxation

	2016 £	2015 £
Group		
This is arrived at after charging/(crediting):	£	£
Rentals under operating leases:		
Hire of equipment	124,328	124,328
Other operating leases	39,792	119,361
Depreciation	154,742	256,318
Amortisation of intangible assets	93,340	35,471
Auditors' remuneration - audit services	51,800	57,425
- non audit services	23,000	19,370
Fees paid to other auditors for subsidiary undertakings	4,500	4,500
Non re-occurring VAT credit	(212,366)	(210,862)
Provision for losses on termination of business and goodwill impairment	-	55,270
	-	55,270
	-	55,270

6 Income from interests in associated undertakings

	2016 £	2015 £
Group		
Share of profits before taxation of Credit Card Holidays Limited	18,444	15,934
Share of profits before taxation of Esca Estates Limited	24,568	11,303,314
	43,012	11,319,248
	43,012	11,319,248

7 Other interest receivable and similar income

	2016 £	2015 £
Group		
Bank interest	34,526	36,647
Income from investment funds	-	2,614
	34,526	39,261
	34,526	39,261

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

8 Tax on deficit on ordinary activities

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
<i>UK current corporation tax</i>				
Corporation tax charge	(3,689)	-	-	-
Associated undertakings – share of tax charge	3,689	-	2,127,968	-
Adjustment to prior years' tax provision	-	-	-	(140,579)
Total current corporation tax	-	-	2,127,968	-
<i>Deferred tax</i>				
Adjustment for taxation of property fair value surplus	(15,752)	-	-	-
Change in deferred tax rate	(217,664)	(217,664)	81,000	81,000
Taxation charge/ (credit) on surplus / (deficit) on ordinary activities	(233,416)	(217,664)	2,208,968	(59,579)

The explanation for a taxation charge arising in the year, is set out below:

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Surplus / (deficit) on ordinary activities before tax	(1,083,012)	(384,032)	10,919,351	(280,540)
Surplus / (deficit) on ordinary activities at the standard rate of corporation tax in the UK of 20.08% (2015 – 21.17%)	(217,469)	(77,114)	2,311,627	(59,390)
Effect of:				
Expenses not deductible for tax purposes	73,694	72,422	69,568	-
Excess of depreciation over capital allowances	3,352	4,028	14,852	-
Other timing differences	-	-	-	-
Effect of change in tax rate on deferred tax	(217,664)	(217,664)	-	-
UK tax at rates less than standard rate	(15,752)	-	(4,738)	(189)
Tax losses for the year not utilised	149,045	664	82,602	-
Differential rate of tax on Associated Companies	(8,622)	-	(264,943)	-
Total tax charge for the year	(233,416)	(217,664)	2,208,968	(59,579)

UK Finance Act (No. 2) 2015 which provided for a reduction in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 was substantively enacted on 26 October 2015. Deferred tax assets and liabilities are valued at the relevant tax rate for the period in which it is expected to be recognised.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

9 Intangible fixed assets

The Group	Other £	Goodwill £	Development costs £	Total
<i>Cost</i>				
At 1 March 2015	-	50,000	690,027	740,027
Additions	8,400	-	321,691	330,091
At 29 February 2016	<u>8,400</u>	<u>50,000</u>	<u>1,011,718</u>	<u>1,070,118</u>
<i>Accumulated depreciation</i>				
At 1 March 2015	-	50,000	332,257	382,257
Charge for the year	526	-	92,814	93,340
At 29 February 2016	<u>526</u>	<u>50,000</u>	<u>425,071</u>	<u>475,597</u>
<i>Net book value</i>				
At 29 February 2016	<u>7,874</u>	<u>-</u>	<u>586,647</u>	<u>594,521</u>
At 28 February 2015	<u>-</u>	<u>-</u>	<u>357,770</u>	<u>357,770</u>

Development costs are internally generated and all other intangible assets were acquired externally to the Group.

10 Tangible fixed assets

The Group	Freehold property £	Motor vehicles £	Equipment furniture & fittings £	Total £
<i>Cost</i>				
At 1 March 2015	1,428,823	84,144	2,799,175	4,312,142
Reclassification as investment property	(418,490)	-	-	(418,490)
Additions	127,358	28,466	122,105	277,929
Disposals	-	(28,546)	(235,936)	(264,482)
At 29 February 2016	<u>1,137,691</u>	<u>84,064</u>	<u>2,685,344</u>	<u>3,907,099</u>
<i>Accumulated depreciation</i>				
At 1 March 2015	155,545	83,144	2,568,399	2,807,088
Attributable to reclassification as investment property	(16,000)	-	-	(16,000)
Charge for the year	15,768	6,773	132,201	154,742
Disposals	-	(28,546)	(235,936)	(264,482)
At 29 February 2016	<u>155,314</u>	<u>61,371</u>	<u>2,464,664</u>	<u>2,681,348</u>
<i>Net book value</i>				
At 29 February 2016	<u>982,377</u>	<u>22,693</u>	<u>220,680</u>	<u>1,225,751</u>
At 28 February 2015	<u>1,273,278</u>	<u>1,000</u>	<u>230,776</u>	<u>1,505,054</u>

The freehold property is secured by way of a charge in favour of the HVCA Retirement Benefits Scheme.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

10 Tangible fixed assets (continued)

The Association

	Motor vehicles £	Equipment furniture & fittings £	Total £
<i>Cost</i>			
At 1 March 2015	42,734	844,935	887,669
Additions	-	28,084	28,084
Disposals	-	(235,936)	(235,936)
At 29 February 2016	<u>42,734</u>	<u>637,083</u>	<u>679,817</u>
<i>Accumulated amortisation</i>			
At 1 March 2015	42,734	792,391	835,125
Charge for the year	-	45,325	45,325
Disposals	-	(235,936)	(235,936)
At 29 February 2016	<u>42,734</u>	<u>601,780</u>	<u>644,514</u>
<i>Net book value</i>			
At 29 February 2016	<u>-</u>	<u>35,303</u>	<u>35,303</u>
At 28 February 2015	<u>-</u>	<u>52,544</u>	<u>52,544</u>

11 Investment property

The Group

	2016 £
Fair value at 1 March 2015	320,943
Reclassification from tangible fixed assets during the year	402,490
Fair value gains recognised in the Income Statement	87,510
At 29 February 2016	<u>810,943</u>

An investment property with a fair value of £490,000 at 29 February 2016 is secured by way of a charge in favour of the HVCA Retirement Benefits Scheme.

As at 29 February 2016, the fair value of the investment property transferred during the period was based on a valuation performed by an independent valuer, who holds a professional qualification with the Royal Institution of Chartered Surveyors and has experience in the location and class of the investment property valued.

Investment properties are valued by adopting the investment method of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation.

The critical assumptions made in the valuation of the transferred property were a market rent of £45,000 per annum, allowance for purchases costs of 4.8% and a yield in perpetuity rate of 8.763%.

The investment property with a value brought forward of £320,943 is a mixed use property and was not revalued by an independent valuer during the year as the Finance Committee have assessed that there is no material change in the fair value.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

12 Fixed asset Investments

The Group	2016	2015
	£	£
Interests in associated undertakings and joint ventures:		
As at 1 March	9,721,838	598,002
Share of profits pre-tax	43,012	11,319,248
Share of tax income/ (charge)	(3,688)	(2,127,968)
Less dividends received	(210,000)	(67,444)
Balance at 29/28 February	9,551,162	9,721,838

All the above investments are unlisted.

The Association	Subsidiary	Associate
	Undertakings	Undertakings
	£	£
Cost/ valuation at 1 March 2015	100,000	9,709,242
Fair value adjustments to the income statement	-	(185,432)
Cost/ valuation at 29 February 2016	100,000	9,523,810

Subsidiary undertakings are held at cost.

Joint venture entities are held under the cost model, the joint venture held by the Association is limited by guarantee and as such there is no value recognised in the Association's Balance Sheet.

Associate undertakings are held at fair value through the income statement. The fair value of associate undertakings is deemed to be the Association's share of the net assets of the associate as the balance sheet consists of highly liquid assets only and therefore the Finance Committee consider this to be an appropriate measure of fair value.

All the above investments are unlisted.

Additional information in respect of subsidiary companies is set out in note 23 to these financial statements.

Additional information on associated undertakings:

	Shares held	Voting	Accounting	Activity
	%	rights	reference	
		%	date	
Credit Card Holidays Limited (limited by guarantee) and subsidiary undertaking (held via a Group subsidiary)	-	50	29 Feb 2016	see (a) below
ESCA Estates Limited (held via Association)	43	43	30 Nov 2015	see (b) below

All associated undertakings are incorporated in England.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

12 Fixed asset investments (continued)

(a) Credit Card Holidays Limited and subsidiary undertaking

Credit Card Holidays Limited does not trade for profit. It operates a holiday scheme in accordance with the Industry's National Agreement. The company is limited by guarantee and the Association has the right to appoint 50% of the board members, therefore effectively controls a 50% share of the company and is therefore a joint venture entity and accordingly accounted for under the equity method in the Group financial statements.

Credit Card Holidays Limited hold 100% of the equity voting rights ('A' Shares) in Welfare Holdings (H&V) Limited. The equity non-voting rights ('B' Shares) in Welfare Holdings (H&V) Limited are wholly owned by Welplan Limited, itself a wholly owned subsidiary of the Group.

The income of Welfare Holdings (H&V) Limited derives from the investment of the funds generated by the holiday scheme operated by Credit Card Holidays Limited. The Group's share of the net assets of the group headed by Credit Card Holidays Limited, incorporating 100% of the results of Welfare Holdings (H&V) Limited is recognised in the Group accounts using the equity method of accounting.

(b) ESCA Estates Limited

The principal activity of this company is to lease and/or own the property in which the Association's London headquarters are located. Given the nature of the business of ESCA Estates Limited, the Finance Committee is satisfied that no material distortion is caused by its Accounting Reference Date being different from that of the Association and Group.

13 Debtors

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Falling due within one year:				
Trade debtors	752,386	88,701	2,135,076	62,389
Amounts owed by subsidiary undertakings	-	2,353,877	-	2,228,359
Amounts owed by associated undertakings	52,626	6,104	181,652	50,623
Amounts owed by related undertakings	229,461	-	271,556	64
Other debtors	58,026	14,262	1,147,045	6,619
Prepayments and accrued income	805,292	125,819	559,167	177,215
	<u>1,897,791</u>	<u>2,588,763</u>	<u>4,294,496</u>	<u>2,525,269</u>
Falling due after one year:				
Other debtors	300,000	300,000	300,000	300,000
Deferred tax asset	1,574,908	1,590,660	2,050,015	2,050,015
	<u>3,772,699</u>	<u>4,479,423</u>	<u>6,644,511</u>	<u>4,875,284</u>

Amounts due to group undertakings and related entities are unsecured, interest-free and repayable on demand.

14 Current asset investments

The Group	2016 £	2015 £
Investment funds at market value	-	<u>55,571</u>

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

15 Cash at bank and in hand

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Unrestricted cash funds	3,181,681	23,859	5,419,989	-
Holiday pay scheme funds	4,421	-	95,586	-
	<u>3,186,102</u>	<u>23,859</u>	<u>5,515,575</u>	<u>-</u>

The balance of holiday pay scheme funds shown above is matched by liabilities as reflected in Note 16.

16 Creditors

Amounts falling due within one year

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Bank overdraft	34,392	-	137,091	22,567
Trade creditors	827,155	182,545	2,411,246	312,792
Holiday pay scheme liability	4,421	-	95,586	-
Amounts owed to subsidiary undertakings	-	1,661,972	-	1,129,622
Amounts owed to associated undertakings	14,515	-	358,595	-
Amounts owed to related undertakings	742,058	-	849,629	-
Taxation and social security	260,904	103,235	328,422	132,543
Other creditors	215,508	-	379,146	-
Accruals and deferred income	1,718,153	478,523	2,607,667	488,349
	<u>3,817,106</u>	<u>2,426,275</u>	<u>7,167,382</u>	<u>2,085,873</u>

The bank overdraft above consists of cheques drawn and not yet cleared by the balance sheet date. The holiday pay scheme liability is matched by segregated cash holdings included within the heading of "Cash at bank and in hand" as reflected in Note 15.

Amounts due to group undertakings and related entities are unsecured, interest-free and repayable on demand.

17 Deferred tax

The deferred taxation liabilities/(assets) provided and not provided in the financial statements are as follows:

	Provided 2016 £	Provided 2015 £	Not provided 2016 £	Not provided 2015 £
Timing differences on capital allowances	-	-	73,406	70,154
Tax on Deferred benefit pension scheme provision	1,590,660	2,050,015	-	-
Tax on investment property fair value surplus	(15,752)	-	-	-
Tax losses not utilised	-	-	1,173,182	1,024,137
	<u>1,574,908</u>	<u>2,050,015</u>	<u>1,246,588</u>	<u>1,094,291</u>

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

18 Financial Instruments

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
<i>Financial assets at fair value through the Income Statement</i>				
Equity investments:				
Investments in subsidiary undertakings	-	100,000	-	100,000
Investment in associate	9,523,810	9,523,810	9,709,242	9,709,242
Investment in joint venture entity	27,352	-	12,596	-
Investment funds at market value	-	-	55,571	-
	<u>9,551,162</u>	<u>9,623,810</u>	<u>9,777,409</u>	<u>9,809,242</u>

Financial assets that are debt instruments measured at amortised costs

Trade debtors	752,386	88,701	2,135,076	62,389
Amounts owed by subsidiary undertakings	-	2,353,877	-	2,228,359
Amounts owed by associated undertakings	52,626	6,104	181,652	50,623
Amounts owed by related undertakings	229,461	-	271,556	64
	<u>1,034,473</u>	<u>2,448,682</u>	<u>2,588,284</u>	<u>2,341,435</u>

Financial liabilities that are debt instruments measured at amortised costs

Trade creditors	827,155	182,545	2,411,246	312,792
Amounts owed to subsidiary undertakings	-	1,661,972	-	1,129,622
Amounts owed to associated undertakings	14,515	-	358,595	-
Amounts owed to related undertakings	742,058	-	849,629	-
	<u>1,583,728</u>	<u>1,844,517</u>	<u>3,619,470</u>	<u>1,442,414</u>

19 Pension schemes

The Association and three of its operating subsidiary undertakings participate in both a funded defined benefit scheme and a defined contribution scheme.

Defined benefit scheme - Group

Executive, senior and long serving administrative and clerical staff employed before December 2001 were eligible to be included in a non-contracted out defined benefit pension scheme. The Scheme closed to future accrual on 28 February 2013, at which point, following the transfer of previously active members, the number of deferred members was 53. The number of pensioner members on 29 February 2016 was 44.

The assets of the scheme, which amounted to £12.3m at 29 February 2016 (2015 - £13.671m) are held in a separate trustee administered fund. The pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements for the year ended 29 February 2016 (Continued)

19 Pension schemes (continued)

The latest actuarial valuation was prepared as at 28 February 2015. Following closure to accrual, there are no continuing employer contributions for future service but the employers continue to be responsible for expenses and the levy payable in respect of the Pension Protection Fund. The next valuation is due at 28 February 2018.

In order to meet the deficit on past service, the Association and the Trustees of the Scheme agreed on a recovery plan under which the employers contribute £530,000 per annum with effect from 1 March 2016 (increasing by 3% on each subsequent 1 March) for a period expected to expire on 31 August 2032.

Excluding scheme expenses, employer contributions in respect of the Scheme deficit, amounted to £423,000 (2015 - £400,000). The Group expects to contribute £530,000 to the scheme during the year to 28 February 2017.

In accordance with FRS 102, the Group and the Association disclose the current assessment of the deficit in the defined benefit scheme as a separate category of liability on their respective balance sheets.

The amounts recognised are as follows:

	2016 £'000	2015 £'000
Present value of funded obligation	(21,121)	(23,921)
Fair value of plan assets	12,284	13,671
Net liability	8,837	10,250

Analysis of amounts recognised in the Income Statement

	2016 £'000	2015 £'000
Net interest expense	(351)	(296)
	(351)	(296)

Analysis of amounts recognised in the Other Comprehensive Income

	2016 £'000	2015 £'000
Return on plan asset (excluding amounts recognised as interest)	(780)	88
Actuarial changes – experience gains and losses	538	(84)
Actuarial changes – demographic assumptions	137	-
Actuarial changes – financial assumptions	1,446	(3,725)
	1,341	(3,721)

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

19 Pension schemes (continued)

Reconciliation of present value of plan liabilities

	2016 £'000	2015 £'000
At 1 March	(23,921)	(19,811)
Interest cost	(811)	(898)
Benefits paid	1,490	597
Actuarial changes	2,121	(3,809)
At 29/28 February	(21,121)	(23,921)

Reconciliation of fair value of plan assets

	2016 £'000	2015 £'000
At 1 March	13,671	13,178
Interest on assets	460	602
Return on plan asset (excluding amounts recognised as interest)	(780)	88
Employer contributions	423	400
Benefits paid / transfers out	(1,490)	(597)
At 29/28 February	12,284	13,671

Composition of plan assets

	2016 £'000	2015 £'000
Diversified growth funds	8,930	13,506
Gilt funds	3,182	-
Individual policies	90	93
Other assets	82	72
Total	12,284	13,671

The major assumptions used by the actuary in preparing the valuation for FRS 102 purposes were:

	2016	2015
Discount rates	3.90%	3.50%
Deferred pension revaluation	2.80%	2.80%
Future pension increases	2.80%	2.80%
Inflation assumption	2.80%	2.80%

Mortality assumptions - SAPS2 (light mortality of males only) year of both tables with CMI 2014 projections and long-term rate of improvement of 1% per annum. (2015: SAPS light mortality year of both tables rated up by one year with CMI 2012 projections and long-term rate of improvement of 1% per annum).

Tax free cash - 90% of members are assumed to take 25% of their pension as tax-free cash in both the 2015 and 2016 valuation.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

19 Pension schemes (continued)

The contributions payable by the Association to the scheme for the year ended 29 February 2016 were £270,020 (2015 - £257,440). Contributions payable by subsidiary undertakings to the scheme for the year ended 29 February 2016 were £149,980 (2015 - £142,560). In the Association Income Statement the contributions payable by subsidiary undertakings is recognised as pension recharges within other operating income.

Defined contribution scheme - Group

A defined contribution scheme is available for all Group staff, including those former active members of the defined benefit scheme whose entitlements became deferred on the closure of the Scheme to future accrual.

The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Association and its subsidiaries to the fund and amounted to £285,215 in the current year (2015 - £473,142).

20 Capital commitments

At 29 February 2016 capital commitments contracted for but not provided in the Group were £nil (2015 - £nil) and in the Association £nil (2015 - £nil).

21 Operating lease commitments

The Group has annual operating lease commitments under non-cancellable operating leases as set out below:

	2016 Land and Buildings £	2016 Other £	2015 Land and Buildings £	2015 Other £
Within one year	87,778	39,792	87,778	119,361
Between two to five years	87,778	45,105	175,556	112,429
After five years	-	-	-	4,740
	<u>175,556</u>	<u>84,897</u>	<u>263,334</u>	<u>236,530</u>

22 Transition to FRS102

This is the first financial year that the Group and Association have presented their financial statements in accordance with FRS 102 'The Financial Reporting Framework Applicable in the UK and Republic of Ireland' ('FRS 102'). For financial years up to and including the year ended 28 February 2015, the Group and Association prepared their financial statements in accordance with old UK GAAP.

The Group and Association's date of transition to FRS 102 is therefore 1 March 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Group and Association's opening reserves position as at 1 March 2014 and their previously published financial statements for the year ended 28 February 2015 have been restated from old UK GAAP.

In carrying out the transition to FRS 102, neither the Group nor Association have applied any of the optional exemptions as permitted by Section 35 *Transition to this FRS*.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

22 Transition to FRS 102

Group reconciliation of opening reserves

	1 March 2014 £	28 February 2015 £
Total reserves as previously stated	942,124	6,959,062
Effect of change in the provision for untaken staff leave (i)	(60,140)	(60,534)
Effect of reclassification of investment property (ii)	21,955	26,486
Other adjustments	6,158	6,158
Correction of prior year error (see note below)	-	(227,292)
	910,097	6,703,880

Summary of Income Statement transition adjustments for the year ended 28 February 2015:

	2015 £
Total comprehensive income as previously reported	6,016,938
Effect of change in the provision for untaken staff leave (i)	(394)
Effect of reclassification of investment property (ii)	4,531
Effect of correction of prior year figure (see note below)	(227,292)
Total comprehensive income and FRS 102 restatement	5,793,783

Association reconciliation of opening reserves

	1 March 2014 £	28 February 2015 £
Total reserves as previously stated	1,128,062	943,947
Effect of the introduction of associated company reserves (iii)	9,739,242	9,679,242
Effect of the introduction of pension scheme provision (previously only in consolidated accounts) (iv)	(6,633,000)	(10,250,000)
Deferred tax asset associated with the pension liability (iv)	1,327,000	2,049,996
Effect of change in the provision for untaken staff leave (i)	(22,546)	(21,988)
Total reserves as restated under FRS 102	5,538,758	2,401,197

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

22 Transition to FRS 102 (continued)

Summary of adjusted movements for the year ended 28 February 2015:

	2015 £
Deficit on ordinary activities after taxation as previously reported	(184,115)
Effect of the introduction of pension scheme liability (iv)	22,596
Impact of recognising the association investments in associate at fair value (iii)	(60,000)
Effect of change in the provision for untaken staff leave (i)	558
Deficit on ordinary activities after taxation and FRS 102 restatement	<u>(220,961)</u>
Other comprehensive income:	
Effect of the introduction of pension scheme liability (iv)	(3,721,000)
Deferred tax adjustment on pension scheme liability (iv)	804,400
Total comprehensive income after FRS 102 restatement	<u><u>(3,137,561)</u></u>

Explanations of transitional adjustments

- (i) **Holiday pay accrual** - This transitional adjustments relates to the recognition of a holiday pay accrual for accumulated short-term compensated absences. This adjustment has resulted in the recognition of an accrual of £60,140 at 1 March 2014 and £60,534 at 28 February 2015 in the Group and £22,546 at 1 March 2014 and £21,988 at 28 February 2015 in the Association,
- (ii) **Investment property**- FRS 102 section 16 *Investment Property* requires property that has a mixed use purpose be separated into investment property and property, plant and equipment. A proportion of one of the Group's freehold properties is currently held to earn rental income, accordingly a value of £320,943 has been reclassified to investment properties at the date of transition. The adjustment to the opening reserves of the group and the 2015 Consolidated Income Statement relate to the reversal of accumulated depreciation to reflect the properties fair value at the balance sheet dates.
- (iii) **Accounting policy for valuation of associates** - On transition to FRS 102 the Association opted to change its accounting policy from holding investments in associates at cost less impairment to adopting the fair value through profit and loss model. An adjustment of £9,739,242 has been made to the open reserves as at 1 March 2014 and a fair value loss of £60,000 has been recognised in the Income Statements for the year to February 2015.
- (iv) **Pension scheme liability** - The association, along with three of its subsidiaries, is a member of a group defined benefit pension. Under previous UK GAAP this scheme was accounted for as a defined contribution scheme. Whereas under FRS 102 as the Association is the sponsoring employer and legally responsible for the plan and the deficit reduction, it has recognised the plan in its individual financial statements. At 1 March 2014 and 29 February 2015, the net deficit of the plan was £6,633,000 and £10,250,000 respectively. A deferred tax asset has been recognised on the pension scheme liability of £1,327,000 and £2,049,996 at 1 March 2014 and 29 February 2015 respectively, the deferred tax asset is presented within debtors due after one year.

There is also a presentation change under FRS 102 whereby net interest on the net defined benefit pension liability is presented in the profit and loss account using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on shareholders equity on transition but affects the allocation of interest between the profit and loss account and other comprehensive income. As such there was an increase in profit of £301,000 arising from this adjustment which was offset by a corresponding increase in the other comprehensive income.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements for the year ended 29 February 2016 (Continued)

22 Transition to FRS 102 (continued)

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet. The main items are:

- (a) Computer software development, with a net book value of £167,776 at 1 March 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets nor on the deficit for the year, except that the previous depreciation charge is now described as amortisation.
- (b) Cash and cash equivalents were reassessed on transition to FRS 102, it was determined that £300,000 held in an Escrow account does not meet the definition of cash and cash equivalents under FRS 102. Accordingly a £300,000 adjustment has been made to increase other debtors due in more than one year and decrease cash.

Explanations of correction of prior year error

This adjustment relates to BESA Publications subscription income received in advance, covering a 12 month period. In error, revenue had previously been recognised in full on receipt rather than time apportioned over the subscription period. The correcting adjustment results in a reduction of surplus and closing reserves and an increase in creditors of £227,292. There is no overall tax impact.

23 Additional Information on subsidiary undertakings and related parties

Subsidiary	Country of Incorporation, registration and operation	Principal activity	Percentage of ordinary shares held
B & ESA Limited	England	Holding company	100%
Welplan Limited	England	Administration of pension, welfare benefits and health insurance schemes	100%*
Piper Insurance Company Limited	Isle of Man	Insurance	100%*
Building Engineering Services Training Limited	England	Training	100%*
Piper Assessment Limited	England	Property ownership	100%*
Engineering Services Skillcard Limited	England	Registration of industry qualifications and skills	100%*
Building Engineering Services Competence Assessment Limited	England	Operation of competent persons schemes	100%*
Refcom Limited	England	Competence registration	100%*
Welplan Holiday Pay Limited	England	Operation of holiday pay schemes	100%*
Welplan Investments Limited	England	Investment of holiday pay funds	100%*
ECI Holiday Pay Limited	England	Operation of holiday pay schemes	100%*
ECI Holiday Pay Investments Limited	England	Investment of holiday pay funds	100%*
BESA Publications Limited	England	Publications	100%*

The shareholdings in companies marked with * are held through B&ESA Limited or its subsidiary companies.

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

23 Additional information on subsidiary undertakings and related parties (continued)

Related parties

The Finance Committee considers there to be four classes of related party as follows:

- (i) Credit Card Holidays Limited, Welfare Holdings (H&V) Limited and ESCA Estates Limited, being associated companies of the Association are related parties of the Association for the purposes of Financial Reporting Standard No 8 "Related Party Disclosures". A summary of the aggregate transactions which have been undertaken by the Group with these parties is as follows:

The Group	2016 £	2015 £
Amounts included in turnover:		
Administration fees	889,355	945,947
Amounts included in administration expenses:		
Rent, rates and service charges	486,220	63,000
Amounts included in debtors	42,833	44,072
Amounts included in creditors	51,832	212,222
	<u> </u>	<u> </u>

- (ii) Engineering Services Training Trust Limited and Refcom Certification Limited are considered by the Finance Committee to be related parties of the Association by virtue of the Association's influence upon these organisations. A summary of the aggregate transactions which have been undertaken by the Group with these parties is as follows:

The Group	2016 £	2015 £
Amounts included in turnover:		
Administration fees	200,000	120,000
Amounts included in creditors	148,612	-
Amounts included in debtors	8,804	439,641
	<u> </u>	<u> </u>

- (iii) The Welfare Schemes listed below are considered by the Finance Committee to be related parties of the Association for the purposes of Financial Reporting Standard No 8 "Related Party Disclosures" by virtue of these schemes being administered by Welplan Limited, a wholly owned subsidiary of the Association, as Trustee.

The Welfare Schemes are as follows:

Welplan Sickness and Accident Benefit Scheme
 Welplan Death Benefit Scheme
 Welplan Pensions
 TICI Sickness and Accident Benefit Scheme
 TICI Death Benefit Scheme
 ECI Sickness and Accident Benefit Scheme
 ECI Death Benefit Scheme

BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements
for the year ended 29 February 2016 (Continued)

23 Additional information on subsidiary undertakings and related parties (continued)

A summary of the aggregate transactions which have been undertaken by the Group with these related parties is as follows:

The Group	2016 £	2016 £	2015 £	2015 £
Amounts included in turnover:				
Administration fees	889,891		871,333	
Insurance premiums	398,392		505,328	
		<u>1,288,283</u>		<u>1,376,661</u>
Amounts included in debtors		249,454		44,091
Amounts included in creditors		<u>593,446</u>		<u>-</u>

(iv) Council Members are related parties of the Association. A summary of the aggregate transactions with Building & Engineering Services Association member firms represented on the Council is as follows:

	2016 £	2015 £
Amounts included in turnover:		
Subscriptions	409,991	368,082
	<u>409,991</u>	<u>368,082</u>