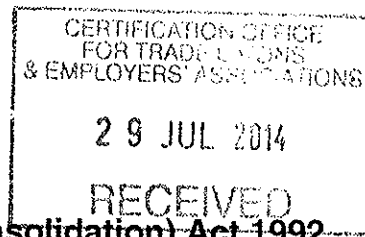


DO NOT STAPLE  
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# FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992



## ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:

Year ended:

List No:

Head or Main Office:



Website address (if available)

Has the address changed during the year to which the return relates?

Yes  No  (Tick as appropriate)

General Secretary:

Contact name for queries regarding the completion of this return:

Telephone Number:

e-mail:

**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  
22<sup>nd</sup> 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

## 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
1084	47	N/A	1	1132

## 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	B Bisset	A Sneyd	10/07/14
President Elect	A Sneyd	J Marner	10/07/14
Vice President	J Marner	M Thomson	10/07/14
Immediate Past President	S Sharp	B Bisset	10/07/14

## REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year		£	£
	<b>INCOME</b>		
3,807,958	From Members	Subscriptions, levies, etc	3,735,898
268,439	Investment income	Interest and dividends (gross)	67,902
187,461		Bank interest (gross)	
		Other – income from related parties	88,492
	Other income		
503,030		Insurance commission	442,830
783,375		Assessment	597,348
3,639,051		Training Agency	3,343,737
3,305,981		Welfare and other services	3,447,344
			7,831,259
12,495,295	<b>TOTAL INCOME</b>		<b>11,723,551</b>
	<b>EXPENDITURE</b>		
	Administrative expenses		
7,107,400		Remuneration and expenses of staff	6,578,994
881,705		Occupancy costs	849,047
378,969		Printing, Stationery, Post & Telephone	343,625
1,577,509		Legal and professional fees	1,634,592
147,172		Publicity	117,603
1,243,227		College fees and grants payable	1,445,309
767,826		Travel and motor expenses	635,403
12,103,808			11,604,573
16,626	Other charges	Bank interest	19,941
351,141		Depreciation	305,036
166,226		Affiliation fees	121,195
120,058		Insurance claims paid	205,206
92,553		Conference & meeting fees	66,600
564,768		Expenses	183,379
(141,000)		Finance cost (FRS17)	(374,000)
1,904,430		Actuarial (gain)/loss (FRS17)	521,200
		Bad debt provision	12,020
		Sums written off	(124,334)
3,074,802			936,243
52,140	Taxation		77,958
15,230,751	<b>TOTAL EXPENDITURE</b>		<b>12,618,774</b>
(2,735,456)	Surplus/Deficit for year		(895,223)
4,577,561	Amount of fund at beginning of year		1,842,105
1,842,105	Amount of fund at end of year		946,882

## ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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:		£	£
<b>Income</b>	From members		
	Investment income		
	Other income (specify)		
	<b>Total Income</b>		
<b>Expenditure</b>	Administrative expenses		
	Other expenditure (specify)		
	<b>Total Expenditure</b>		
	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 28 February 2014

(see notes 19 and 20)

Previous Year		£	£
1,992,389	<b>Fixed Assets</b> (as at page 11)		1,877,214
	<b>Investments</b> (as per analysis on page 13)		
1,394,874	Quoted	559,830	
557,435	Unquoted	594,375	
1,952,309	<b>Total Investments</b>		1,154,205
	<b>Other Assets</b>		
4,713,207	Sundry debtors	3,462,141	
5,777,987	Cash at bank and in hand	5,550,258	
	Stocks of goods		
161,631	Others – intangible assets	189,994	
10,652,825	<b>Total of other assets</b>		9,202,393
14,597,523	<b>TOTAL ASSETS</b>		12,233,812
(10,598)	Revenue Fund (Account)		(15,897)
	Fund (Account)		
1,852,703	Statutory Reserve (Account)		962,779
	Revaluation Reserve		
	<b>Liabilities</b>		
	Loans		
195,240	Bank overdraft	11,676	
	Tax payable		
7,476,618	Sundry creditors	5,969,694	
	Accrued expenses		
	Provisions		
5,083,560	Other liabilities – pension liability	5,305,560	
12,755,418	<b>TOTAL LIABILITIES</b>		11,286,930
14,597,523	<b>TOTAL ASSETS</b>		12,233,812

## FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
<b>COST OR VALUATION</b>				
At start of period	1,591,884	3,064,293	107,587	4,763,764
Additions during period	4,959	175,816		180,775
Less: Disposals during period		(88,442)		(88,442)
Less: DEPRECIATION:	(161,343)	(2,711,902)	(105,638)	(2,978,883)
<b>BOOK AMOUNT</b> at end of period	1,435,500	439,765	1,949	1,877,214
Freehold				
Leasehold (50 or more years unexpired)	1,435,500			
Leasehold (less than 50 years unexpired)				
<b>AS BALANCE SHEET</b>	1,435,500	439,764	1,949	1,877,214



## ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
<b>QUOTED</b>	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities – investment funds	559,830
	TOTAL QUOTED (as Balance Sheet)	559,830
	*Market Value of Quoted Investments	
<b>UNQUOTED</b>	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities Welfare Holdings (H&V) Ltd ESCA Estates Ltd – interest in associates	479 593,896
	TOTAL QUOTED (as Balance Sheet)	594,375
	*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)

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

# SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
<b>INCOME</b>			
From Members	3,735,898		3,735,898
From Investments	156,394		156,394
Other Income (including increases by revaluation of assets)	7,831,259		7,831,259
<b>Total Income</b>	11,723,551		11,723,551
<b>EXPENDITURE</b> (including decreases by revaluation of assets)	12,618,774		12,618,774
<b>Total Expenditure</b>	12,618,774		12,618,774
<b>Funds at beginning of year</b> (including reserves)	1,842,105		1,842,105
<b>Funds at end of year</b> (including reserves)	946,882		946,882
<b>ASSETS</b>			
Fixed Assets			1,877,214
Investment Assets			1,154,205
Other Assets			9,202,393
		<b>Total Assets</b>	12,233,812
<b>LIABILITIES</b>		<b>Total Liabilities</b>	11,286,930
<b>NET ASSETS (Total Assets less Total Liabilities)</b>			946,882

# 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 the financial statements attached.

# ACCOUNTING POLICIES



(see notes 37 and 38)

Refer to the financial statements attached.

## SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u> Name: <u>M OAKES</u> Date: <u>22/7/14</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: <u>RJ BARRACLOUGH</u> FINANCE DIRECTOR Date: <u>22/7/14</u>
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## 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/NO

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)

YES/NO

If "No" please explain below.

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)

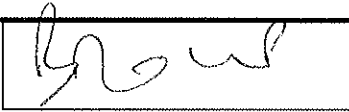
YES/NO

If "No" please explain below.

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)

## AUDITOR'S REPORT (continued)

Refer to the financial statements attached.

Signature(s) of auditor or auditors:		
Name(s):	BDO LLP	
Profession(s) or Calling(s):	Chartered Accountants & Registered Auditors	
Address(es):	3 Hardman Street Manchester M3 3AT	
Date:	24/07/14	
Contact name and telephone number:	Julien Rye	0161 817 7500

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

CERTIFICATION OF  
FOR TRADE BY  
EMPLOYERS' ASSOCIATIONS  
29 JUL 2014  
RECEIVED

**BUILDING & ENGINEERING  
SERVICES ASSOCIATION**

Annual Report and Financial Statements

Year Ended

28 February 2014



# BUILDING & ENGINEERING SERVICES ASSOCIATION

Annual report and financial statements  
for the year ended 28 February 2014

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## Page

1	Council and Finance Committee members and auditors
2-4	Report of the Finance Committee
5	Report of the independent auditors
6	Consolidated profit and loss account
7	Consolidated statement of total recognised gains and losses
8	Consolidated balance sheet
9	Association balance sheet
10	Consolidated cash flow statement
11-28	Notes forming part of the financial statements

# BUILDING & ENGINEERING SERVICES ASSOCIATION

Annual report and financial statements  
for the year ended 28 February 2014

## Members of the Council who have served during the year

B. Bisset – Galloway Group Ltd (President)  
A. Sneyd – Crown House Technologies  
J. Marner – Shepherd Engineering Services  
S. Sharp – Overclean Ltd  
A. Sneyd – Crown House Technologies  
G. Adams – Spie Matthew Hall  
D. Aitken – Vaughan Engineering Group Ltd  
D. Bailey – Brothwell Irvine Ltd  
M. Bailey – NG Bailey Ltd  
W. Belshaw – End Systems Ltd  
A. Blunsdon – Priddy Engineering Services Ltd  
S. Bradshaw – Shepherd Engineering Services  
M. Burton – Delron Services Ltd  
A. Byrne – Shepherd Engineering Services  
J. Canning – NBC (Air Conditioning) Ltd  
S. Carter – NG Bailey Facilities Services  
D. Ellis – Hilton Building Services Ltd  
G. Fox – Specialist Mechanical Services  
S. Gleed – Ceilite Airconditioning Ltd  
A. Gregory – Indepth Hygiene Services Ltd  
P. Hancock – Crown House Technologies Ltd  
T. Hopkins – Hargreaves Ductwork Ltd  
J. Hurst – Superior Plumbing Installations Ltd  
N. James – Arnold James (St Albans) Ltd  
B. Lane – Roperhurst Ltd  
K. Leader – Barrier Air Conditioning Ltd  
M. McCloskey – Argent FM Ltd  
I. McGregor – GCSI Ltd  
G. Manly – Gratte Brothers Ltd  
J. Miller – J.H. Shouksmith & Sons Ltd  
T. Mottram – Pipe Systems Ltd  
J. Norfolk – LX Engineering Ltd  
G. Robinson – Geoffrey Robinson Ltd  
P. Rogers – Ductwork Projects Ltd  
R. Shelley – Lowe & Oliver Ltd  
J. Smith – Cool Heat Services Ltd  
M. Taylor – Lorne Stewart Plc  
M. Thomson – Enigma Environmental Services  
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)  
W. Belshaw (Resigned)  
B. Bisset  
M. Burton  
P. Fox  
M. McCloskey  
J. Marner  
G. Robinson  
S. Sharp  
R. Shelley  
A. Sneyd  
M. Taylor  
B. Townsend  
G. Vaughan  
B. Judd (Resigned)  
R. Pettigrew (Chief Executive)  
N. Griffin (Head of Operations)

## Secretary to the Committee

R. Barraclough (Finance Director)

## Auditors

BDO LLP  
3 Hardman Street  
Manchester  
M3 3AT

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Report of the Finance Committee for the year ended 28 February 2014

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The members of the Finance Committee present their annual report and the audited financial statements for the year ended 28 February 2014.

### 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 assessment of gas operatives and the operation of competent persons schemes.

### Review of the business of the Group

The consolidated profit and loss account set out on page 6 shows that there has been a reduction in turnover in the year of approximately £472,000 as compared with the previous year. The reduction is reasonably spread across the principal elements of the Group's business. The consequent reduction in gross surplus has however been more than offset by a reduction of approximately £906,000 in Administrative Expenses, which is the collective term for overhead and other expenditure not directly related to trading. This figure also includes positive movements in relation to the FRS17 pension provision of £400,000, and an exceptional VAT-related recovery of £163,000.

Taken together, these factors have resulted in an Operating Deficit of £426,461 as compared with a deficit of £1,245,786 for the previous year. Below this level, due principally to the continuing reduction in the level of cash held in the holiday pay scheme companies following the withdrawal of the National Insurance concession, investment income has fallen in comparison with the previous year. Including the negative movement of £26,000 (2013 positive £11,000) in the finance element of the FRS 17 provision, the total of investment and other income is £130,394 (2013 £466,900). The total net deficit for the year before taxation is £296,067 against a deficit of £778,886 for the previous year.

Taxation for the year amounts to £77,958 (the factors which have contributed to a charge rather than a repayment for the year, given that a deficit has been incurred, are set out in Note 7 to the accounts), resulting in a deficit for the year after taxation of £374,025 (2013 £831,026) which, when added to the net actuarial loss of £521,200 (2013 £1,904,430), after notional tax adjustments, shown separately in the Consolidated Statement of Total Recognised Gains and Losses in respect of the pension scheme, gives a final deficit for the year to be taken from reserves of £895,225 as compared with the previous year's figure of £2,735,456.

While the Operating Deficit, the Deficit before Tax and the Total Deficit are all considerably less than last year, and leaving movements in the FRS 17 (Pension Scheme) provision to one side as being outside of its control, the Finance Committee regards this as only an interim position relative to the programme of activity targeted at returning the Group to surplus.

This programme, which includes action in relation to both the reduction of costs and the generation of income, is now well under way. It sets a target of achieving a Group surplus in the year ending 28 February 2016, but the Committee expects to be in a position to report further improvements in the operating results in the current year ending 28 February 2015.

### 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. As in previous years, this risk has expanded beyond the loss of member support to include the potential impact of the recession on the businesses of members. The second risk is that its 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.

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Report of the Finance Committee for the year ended 28 February 2014 (Continued)

### Principal risks and uncertainties (continued)

Each of the subsidiary companies has its own business risks, whether arising from competition from other service providers, either within the building services industry or externally, or from the fact that the relevance, competitiveness or quality of its products, as seen by its customers, could reduce. In addition to the fact that all the subsidiaries operate in commercial areas in which there are no guarantees of success, other factors could also have a significant impact on their respective businesses. These include the general economic climate, the lack of enforcement of statutory regulations in areas in which certain subsidiaries provide certification services, and variations in the levels of Government funding for training. All of these factors are kept under regular review by each Board of Directors and the Finance Committee to ensure that, where possible, any negative effects are neutralised and, in addition, that all positive and realistic commercial opportunities are exploited.

### Financial statements

The financial statements are presented in consolidated format incorporating the financial statements of the Association, its subsidiary companies and, using the equity method, its associated companies. Although the Association is unincorporated, and therefore not governed by the Companies Act, the Finance Committee has decided that the financial statements will be produced not only in accordance with United Kingdom Accounting Standards and relevant accounting provisions of the Companies Act 2006.

### Finance Committee members and their interests

The following changes took place during the year:

W. Belshaw (Resigned 26 February 2014)  
B. Judd (Resigned 30 June 2013)  
J. Marner (Appointed 11 July 2013)  
R Shelley (Resigned 11 July 2013)

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.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

### Report of the Finance Committee for the year ended 28 February 2014 (Continued)

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#### Statement of Council responsibilities (continued)

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.

#### Auditors

BDO LLP has 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: 10/06/2014

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Report of the Independent auditors

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

We have audited the financial statements of the Building & Engineering Services Association for the year ended 28 February 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the Association's balance sheet, 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).

This report is made solely to the Association's members, as a body, in accordance with the requirements of the Constitution of the Association and the terms of our engagement letter dated 15 April 2013. Our audit 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of Council and auditors

As explained more fully in the statement of Council member's responsibilities, Council members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

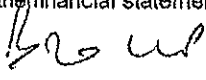
#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent Association's affairs as at 28 February 2014 and of the group's deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

#### Opinion on other matter

In our opinion the information given in the report of the Finance Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

  
BDO LLP  
Chartered accountants  
Manchester  
Date: 13 June 2014

## BUILDING & ENGINEERING SERVICES ASSOCIATION

### Consolidated profit and loss account for the year ended 28 February 2014

	Note	2014 £	2013 £
<b>Turnover</b>	2	11,567,157	12,039,395
Cost of sales		(7,872,930)	(8,258,635)
<b>Gross surplus</b>		<u>3,694,227</u>	<u>3,780,760</u>
Administrative expenses		(4,120,688)	(5,026,546)
<b>Operating deficit</b>		<u>(426,461)</u>	<u>(1,245,786)</u>
Income from interests in associated undertakings	5	88,492	187,461
Other interest receivable and similar income	6	67,902	268,439
Net finance income – FRS 17	24	(26,000)	11,000
<b>(Deficit) on ordinary activities before taxation</b>	4	<u>(296,067)</u>	<u>(778,886)</u>
Tax on (deficit) on ordinary activities	7	(77,958)	(52,140)
<b>Deficit for the financial year</b>	17	<u><u>(374,025)</u></u>	<u><u>(831,026)</u></u>

All amounts relate to continuing activities.

The notes on pages 11 to 28 form part of these financial statements.

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Consolidated statement of total recognised gains and losses for the year ended 28 February 2014

	2014 £	2013 £
Deficit for the financial year	(374,025)	(831,026)
Items arising in respect of the application of FRS 17 regarding the defined benefit pension scheme (see note 24):		
Actuarial loss	(404,000)	(2,359,000)
Deferred taxation on actuarial loss	80,800	542,570
Tax rate adjustment on brought forward balance	(198,000)	(88,000)
Total recognised losses recorded in the financial year	<u>(895,225)</u>	<u>(2,735,456)</u>

The notes on pages 11 to 28 form part of these financial statements.




## BUILDING & ENGINEERING SERVICES ASSOCIATION

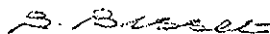
Consolidated balance sheet at 28 February 2014

	Note	2014	2014	2013	2013
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		189,994		161,631
Tangible assets	10		1,877,214		1,992,389
Investments	11		594,375		557,435
			<u>2,661,583</u>		<u>2,711,455</u>
<b>Current assets</b>					
Debtors	12	3,467,295		4,744,057	
Investments	13	559,830		1,394,874	
Cash at bank and in hand	14	5,550,258		5,777,987	
			<u>9,577,383</u>	<u>11,916,918</u>	
<b>Creditors: amounts falling due within one year</b>	15			7,702,708	
				<u>7,702,708</u>	
<b>Net current assets</b>			3,590,859		4,214,210
<b>Total assets less current liabilities</b>			<u>6,252,442</u>		<u>6,925,665</u>
Represented by:					
<b>Net pension liability under FRS17</b>	24		5,305,560		5,083,560
<b>Accumulated funds</b>	17		946,882		1,842,105
			<u>6,252,442</u>		<u>6,925,665</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 28 May 2014.



**A J Miller**  
Chairman of the  
Finance Committee



**B Bisset**  
President


The notes on pages 11 to 28 form part of these financial statements.

# BUILDING & ENGINEERING SERVICES ASSOCIATION

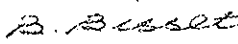
## Association balance sheet at 28 February 2014

	Note	2014 £	2014 £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible assets	10		58,040		83,447
Investments	11		130,000		130,000
			188,040		213,447
<b>Current assets</b>					
Debtors	12	2,551,470		2,296,798	
Cash at bank and in hand	14	296,543		124,863	
		2,848,013		2,421,661	
<b>Creditors: amounts falling due within one year</b>	15	1,907,991		1,770,903	
<b>Net current assets</b>			940,022		650,758
<b>Total assets less current liabilities</b>			1,128,062		864,205
Represented by:					
<b>Accumulated funds</b>	17		1,128,062		864,205

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 28 May 2014.



**A J Miller**  
Chairman of the  
Finance Committee



**B Bisset**  
President

The notes on pages 11 to 28 form part of these financial statements.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

### Consolidated cash flow statement for the year ended 28 February 2014

	Note	2014	2013
		£	£
Net cash (outflow) from operating activities	18	(746,684)	(1,167,315)
Dividend income from associated undertakings		36,279	168,872
Returns on investments and servicing of finance	21	67,902	261,405
Corporation tax (paid)/received	21	6,582	(5,533)
Investing activities	21	(243,289)	(104,442)
Cash (outflow) before use of liquid resources and financing		<u>(879,210)</u>	<u>(847,013)</u>
Management of liquid resources	21	835,044	(9,375,191)
(Decrease) in cash	19, 20	<u>(44,166)</u>	<u>(10,222,204)</u>

The notes on pages 11 to 28 form part of these financial statements.

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Notes forming part of the financial statements for the year ended 28 February 2014

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain current asset investments, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Basis of consolidation*

The Group financial statements fully consolidate the financial statements of the Association and its subsidiary undertakings for the year ended 28 February 2014 using the acquisition method of accounting. The results of subsidiaries are included from the date of acquisition.

#### *Turnover*

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 it relates to on an accruals basis.

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.

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

Monthly 'on programme' funding is recognised as income in the period in which it is receivable, on an accruals basis.

Cost of sales includes grants and college fee support payable. Grants based upon both progress and achievements are provided for in full based upon the criteria described above.

#### *Investments*

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Investments held as current assets by a subsidiary undertaking, Piper Insurance Company Limited, are stated at market value in accordance with the relevant statutory provisions relating to insurance companies in the Isle of Man.

Also in accordance with these requirements, realised gains and losses on disposal and unrealised gains and losses on revaluation of current asset investments are recognised in the profit and loss account.

In the consolidated financial statements, shares in associated companies are accounted for using the equity method. Where a long term debtor due from an associated company more closely resembles the attributes of an investment it has been included within the cost of investment and hence within fixed assets. The consolidated profit and loss account includes the Group's share of the pre-tax profits and attributable taxation of the associated companies based on audited financial statements. In the consolidated balance sheet, the investment in associated companies is shown as the Group's share of the net assets, excluding reserves attributable to the revaluation of fixed assets of the associated companies.

#### *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 profit and loss account over its estimate of useful economic life which ranges from five to ten years. Impairment tests on the carrying value of goodwill are undertaken:

# BUILDING & ENGINEERING SERVICES ASSOCIATION

## Notes forming part of the financial statements for the year ended 28 February 2014 (Continued)

### 1 Accounting policies (continued)

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Development costs

Development costs are charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding ten years commencing in the year the Group starts to benefit from the expenditure.

#### Depreciation

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:

Intangible fixed assets	Five to ten years
Freehold buildings	2% per annum
Leasehold building improvements	over the term of the lease
Motor vehicles	25% per annum
Computer equipment	25% per annum
Equipment, furniture and fittings	15% per annum

#### Deferred taxation

Deferred tax balances, which are not discounted, are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

#### Pension costs

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

The defined benefit pension scheme is a group multi-employer scheme with members who are employees of the Association and certain subsidiaries, Welplan Limited, Building Engineering Services Training Limited and Piper Assessment Limited. The actuary has determined that for FRS 17 purposes, a realistic split of the assets and liabilities for allocation to member entities cannot be reliably achieved. In the individual entities therefore, pension costs are charged to the profit and loss account in the period in which they become payable (as for a defined contribution scheme).

The assets of the scheme are held separately from those of the Group. In relation to the Group financial statements, 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 bond of equivalent currency and term to the scheme liabilities. Actuarial valuations for FRS17 purposes are obtained at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after total assets less current liabilities on the face of the balance sheet. Further details in respect of these pension arrangements are shown in note 24.

# BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

## 1 Accounting policies (continued)

### Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

## 2 Turnover

Turnover for the Group during the year was as follows:

	2014	2013
	£	£
Subscriptions	3,735,898	3,807,228
Welfare and other services	1,993,577	2,154,250
Training	3,343,737	3,639,051
Insurance	442,830	503,030
Assessment	597,348	783,375
Registration	456,513	425,797
Other income	997,254	726,664
	<u>11,567,157</u>	<u>12,039,395</u>

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

## 3 Employee numbers

The average monthly number of employees of the organisation during the year was as follows:

	2014	2013
	Number	Number
The Association	45	45
Building Engineering Services Training Limited	39	46
Weiplan Limited	54	60
Piper Assessment Limited	11	13
	<u>149</u>	<u>164</u>

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (*Continued*)

### 4 Deficit on ordinary activities before taxation

	2014	2013
	£	£
This is arrived at after charging/(crediting):		
Rentals under operating leases:		
Hire of equipment	123,620	159,488
Other operating leases	77,483	110,232
Depreciation	295,464	342,355
(Profit)/loss on disposal of fixed assets	-	-
Auditors' remuneration - audit services	57,425	51,300
- non audit services	9,220	76,620
Fees paid to other auditors for subsidiary undertakings	3,900	3,900
	<u>                        </u>	<u>                        </u>

### 5 Income from interests in associated undertakings

	2014	2013
	£	£
Share of profits before taxation of Welfare Holdings (H&V) Limited	22,331	127,638
Share of profits before taxation of other associated undertakings	66,161	59,823
	<u>                        </u>	<u>                        </u>
	88,492	187,461
	<u>                        </u>	<u>                        </u>

### 6 Other interest receivable and similar income

	2014	2013
	£	£
Bank interest	59,985	237,867
Income from investment funds	7,917	30,572
	<u>                        </u>	<u>                        </u>
	67,902	268,439
	<u>                        </u>	<u>                        </u>

### 7 Tax on deficit on ordinary activities

	2014	2013
	£	£
<i>UK current corporation tax</i>		
Corporation tax charge		-
Associated undertakings – share of tax charge	15,273	14,177
Adjustments to prior years' tax provision	(12,115)	5,533
	<u>                        </u>	<u>                        </u>
Total current corporation tax	3,158	19,710
<i>Deferred tax</i>		
Adjustment for taxation on pension liability tax rate	74,800	32,430
	<u>                        </u>	<u>                        </u>
Taxation charge on surplus on ordinary activities	77,958	52,140
	<u>                        </u>	<u>                        </u>

The explanation for a taxation charge arising in the year, despite the level of Deficit on ordinary activities before taxation, is set out below:

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 7 Tax on deficit on ordinary activities (continued)

	2014 £	2013 £
(Deficit)/surplus on ordinary activities before tax	(296,065)	(778,886)
(Deficit)/surplus on ordinary activities at the standard rate of corporation tax in the UK of 23.085% (2013 – 24.17%)	(68,347)	(188,257)
Effect of:		
Expenses not deductible for tax purposes	8,816	11,810
Excess of depreciation over capital allowances	26,982	28,609
Adjustment to tax charge in respect of previous periods	(12,115)	5,533
UK tax at rates less than standard rate	(11,538)	(1,932)
Taxation differentials on overseas profits	-	-
Tax losses for the year not utilised	134,160	196,377
Deferred tax in relation to pension liability tax rate	(74,800)	(32,430)
Current tax charge for year	<u>3,158</u>	<u>19,710</u>

### 8 Result of the Association

In accordance with normal accounting practice, the profit and loss account of the Association is not presented as part of these financial statements. Taking into account dividends received from subsidiary and associated undertakings of £1,200,000 (2013 - £1,060,000) the Association's surplus for the financial year amounted to £263,857 (2013 deficit – £384,445).

### 9 Intangible fixed assets

#### The Group

	Goodwill £	Development costs £	Total £
<i>Cost</i>			
At 1 March 2013	50,000	149,851	199,851
Additions		63,000	63,000
At 28 February 2014	<u>50,000</u>	<u>212,851</u>	<u>262,851</u>
<i>Accumulated depreciation</i>			
At 1 March 2013	10,000	28,220	38,220
Charge for the year	5,000	29,637	34,637
At 28 February 2014	<u>15,000</u>	<u>57,857</u>	<u>72,857</u>
<i>Net book value</i>			
At 28 February 2014	<u>35,000</u>	<u>154,994</u>	<u>189,994</u>
At 28 February 2013	<u>40,000</u>	<u>121,631</u>	<u>161,631</u>



## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

10 Tangible fixed assets	Freehold buildings £	Motor vehicles £	Equipment furniture & fittings £	Total £
<b>The Group</b>				
<i>Cost</i>				
At 1 March 2013	1,591,884	107,587	3,064,293	4,763,764
Additions	4,959		175,816	180,775
Disposals			(88,442)	(88,442)
At 28 February 2014	<u>1,596,843</u>	<u>107,587</u>	<u>3,151,667</u>	<u>4,856,097</u>
<i>Accumulated depreciation</i>				
At 1 March 2013	140,485	97,053	2,533,837	2,771,375
Charge for the year	21,616	8,585	266,273	296,474
Disposals	(758)		(88,208)	(88,966)
At 28 February 2014	<u>161,343</u>	<u>105,638</u>	<u>2,711,902</u>	<u>2,978,883</u>
<i>Net book value</i>				
At 28 February 2014	<u>1,435,500</u>	<u>1,949</u>	<u>439,765</u>	<u>1,877,214</u>
At 28 February 2013	<u>1,451,399</u>	<u>10,534</u>	<u>530,456</u>	<u>1,992,389</u>
<b>The Association</b>				
<i>Cost</i>				
At 1 March 2013		67,177	832,381	899,558
Additions			2,872	2,872
At 28 February 2014		<u>67,177</u>	<u>835,253</u>	<u>902,430</u>
<i>Accumulated depreciation</i>				
At 1 March 2013		60,207	755,904	816,111
Charge for the year		5,019	23,260	28,279
At 28 February 2014		<u>65,226</u>	<u>779,164</u>	<u>844,390</u>
<i>Net book value</i>				
At 28 February 2014		<u>1,951</u>	<u>56,089</u>	<u>58,040</u>
At 28 February 2013		<u>6,971</u>	<u>76,476</u>	<u>83,447</u>

The cost of equipment, furniture and fittings includes for the Group £2,249,468 (2013 - £1,917,711) and for the Association £791,802 (2013 - £727,586) in respect of assets which are fully written down and still in use.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 11 Fixed asset investments

	2014 Group £	2014 Association £	2013 Group £	2013 Association £
Shares in subsidiary undertakings	-	100,000	-	100,000
Interests in associated undertakings	594,375	30,000	557,435	30,000
	<u>594,375</u>	<u>130,000</u>	<u>557,435</u>	<u>130,000</u>

All the above investments are unlisted.

Additional information in respect of subsidiary companies is set out in note 25 to these financial statements.

Group interests in associated undertakings:	£	£
Cost		
Group's share of undistributed post acquisition profits:		30,036
Balance at 1 March 2013	557,435	
Movement for the year	6,904	
	<u>564,339</u>	
Balance at 28 February 2014		<u>594,375</u>

Additional information on associated undertakings:

	Shares held %	Voting rights %	Accounting reference date	Activity
Credit Card Holidays Limited (limited by guarantee) and subsidiary undertaking	-	50	28 Feb 2014	see (a) below
ESCA Estates Limited	43	43	30 Nov 2013	see (b) below

All associated undertakings are incorporated in England.

#### (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.

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. Historically the distribution pattern of Welfare Holdings (H&V) Limited profit after taxation is to pay available surplus by dividend to Welplan Limited, for this reason the company is considered to be an associated undertaking with 100% of its result being incorporated into the consolidated financial statements of the Group headed by B&ES. Welfare Holdings (H&V) Limited is not considered to be a subsidiary undertaking as, although Welplan Limited exerts significant influence over its operations, it does not have overall control and its entitlement to dividend payments is discretionary.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 11 Fixed asset investments (continued)

#### (b) ESCA Estates Limited

The principal activity of this company is to own and manage the building in which the Association's London headquarters is located. In accordance with the Group accounting policy no account has been taken in these financial statements of the professional revaluation of the property during 1992.

The amount of revaluation reserve attributable to the Association is £195,464 (2013 - £201,009).

### 12 Debtors

	2014 Group £	2014 Association £	2013 Group £	2013 Association £
Trade debtors	2,530,815	10,986	3,328,858	94,250
Amounts owed by subsidiary undertakings	-	2,126,836	-	1,984,008
Amounts owed by associated undertakings	140,145	53,632	118,034	40,751
Amounts owed by related undertakings	276,855	24,011	297,256	1,035
Other debtors	72,309	10,703	97,560	10,055
Prepayments and accrued income	447,171	325,302	902,349	166,699
	<u>3,467,295</u>	<u>2,551,470</u>	<u>4,744,057</u>	<u>2,296,798</u>

All amounts are due within one year.

### 13 Current asset Investments

The Group	2014 £	2013 £
Investment funds at market value	559,830	1,394,874
	<u>559,830</u>	<u>1,394,874</u>

### 14 Cash at bank and in hand

	2014 Group £	2014 Association £	2013 Group £	2013 Association £
Unrestricted cash funds	5,490,545	296,543	5,717,641	124,863
Holiday pay scheme funds	59,713	-	60,346	-
	<u>5,550,258</u>	<u>296,543</u>	<u>5,777,987</u>	<u>124,863</u>

The balance of holiday pay scheme funds shown above is matched by liabilities as reflected in Note 15.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 15 Creditors

#### Amounts falling due within one year

	2014 Group £	2014 Association £	2013 Group £	2013 Association £
Bank overdraft	11,676	-	195,240	144,251
Trade creditors	2,263,615	294,529	3,816,850	384,027
Holiday pay scheme liability	59,713	-	60,346	-
Amounts owed to subsidiary undertakings	-	882,766	-	624,871
Amounts owed to associated undertakings	271,571	-	276,055	-
Amounts owed to related undertaking	433,633	-	410,088	-
Taxation and social security	274,476	93,523	216,774	71,675
Other creditors	555,969	-	886,430	-
Accruals and deferred income	2,115,871	637,173	1,835,392	546,079
Corporation tax payable	-	-	5,533	-
	<u>5,986,524</u>	<u>1,907,991</u>	<u>7,702,708</u>	<u>1,770,903</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 14.

### 16 Provision for liabilities and charges

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

	Provided 2014 £	Provided 2013 £	Not provided 2014 £	Not provided 2013 £
Timing differences on capital allowances	-	-	-	118,367
Tax losses not utilised	-	-	-	(860,463)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(742,096)</u>

The deferred tax asset recognised in relation to the pension scheme liability under FRS17 is shown in note 24.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 17 Reconciliation of movements in accumulated funds

The Group	General fund £	Statutory reserve £	Total £
Balance at 1 March 2013	1,473,618	368,487	1,842,105
Deficit for the year	(374,025)		(374,025)
Items taken directly to reserves in respect of the application of FRS 17 regarding the defined benefit pension scheme (see Note 24):			
Actuarial loss	(404,000)		(404,000)
Deferred taxation on actuarial loss	80,800		80,800
Tax rate adjustment on brought forward balance	(198,000)		(198,000)
Balance at 28 February 2014	<u>578,395</u>	<u>368,487</u>	<u>946,882</u>
<b>The Association</b>			
Balance at 1 March 2013	864,205	-	864,205
Surplus for the year	263,857	-	263,857
Balance at 28 February 2014	<u>1,128,062</u>	<u>-</u>	<u>1,128,062</u>

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

### 18 Reconciliation of operating deficit to net cash inflow from operating activities

	2014 £	2013 £
Operating deficit	(426,461)	(1,245,786)
Depreciation	295,464	342,355
Amortisation	34,637	20,034
Increase / (decrease) in debtors	1,396,979	433,393
(Increase)/decrease in creditors	(1,647,303)	(590,742)
Movement in market values of investment funds	-	-
Difference between pension charge and cash contributions	(400,000)	(130,000)
(Profit)/loss on disposal of fixed assets	-	-
Net cash (outflow) from operating activities	<u>(746,684)</u>	<u>(1,170,746)</u>

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (*Continued*)

### 19 Reconciliation of net cash flow to movement in net funds

	2014 £	2013 £
Change in net funds resulting from cash flows:		
(Decrease)/increase in cash in the year	(44,166)	(10,222,205)
Cash flow from movement in current asset investments	(835,044)	554,737
Movement in net funds resulting from cash flows	(879,210)	(9,667,467)
Movement in market values of investment funds	-	-
Opening net funds	6,977,622	16,645,089
Closing net funds	6,098,411	6,977,622

### 20 Analysis of net funds

	At 1 March 2013 £	Cash flow £	Other non- cash changes £	At 28 February 2014 £
Cash at bank and in hand	5,777,987	(227,729)	-	5,550,258
Overdraft	(195,240)	183,563	-	(11,677)
	5,582,747	(44,166)	-	5,538,581
Current asset investments	1,394,874	(835,044)	-	559,830
	6,977,621	(879,210)	-	6,098,411

### 21 Notes to cash flow statement

	2014 £	2013 £
<b>Returns on investment and servicing of finance</b>		
Interest and investment income received	67,902	261,405
<b>Taxation</b>		
UK corporation tax paid	6,582	5,533
<b>Investing activities</b>		
Purchase of tangible fixed assets (net of disposals)	(180,775)	(86,805)
Purchase of intangible fixed assets	(63,000)	(18,480)
Sale of tangible fixed assets	486	843
	(243,289)	(104,442)
<b>Management of liquid resources</b>		
(Purchase)/sale of current asset investments	835,044	(554,737)
Repayment of holiday scheme cash balances	-	(8,820,454)

## BUILDING & ENGINEERING SERVICES ASSOCIATION

### Notes forming part of the financial statements for the year ended 28 February 2014 (Continued)

#### 22 Capital commitments

At 28 February 2014 capital commitments contracted for but not provided in the Group were £nil (2013 - £nil) and in the Association £nil (2013 - £nil).

#### 23 Operating lease commitments

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

	2014 Land and Buildings £	2014 Other £	2013 Land and Buildings £	2013 Other £
Leases which expire:				
Within one year	-	131,833	-	144,285
Between two to five years	123,620	115,573	157,966	392,982
After five years	-	-	-	36,935
	<u>123,620</u>	<u>247,406</u>	<u>157,966</u>	<u>574,202</u>

#### 24 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 60. The number of pensioner members on 28 February 2014 was 53.

The assets of the scheme, which amounted to £13,178m at 28 February 2014 (2013 - £12,611m) 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.

The latest actuarial valuation, prepared as at 29 February 2012, was signed off on 2 April 2013. Following closure to accrual, there are no continuing employer contributions for future service but the employers continue to be responsible for life assurance costs, expenses and the levy payable in respect of the Pension Protection Fund. The next valuation is due at 28 February 2015.

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 £400,000 per annum with effect from 1 March 2013 (increasing by 2.8% on each subsequent 1 March) for a period expected to expire on 31 August 2032.

Excluding the £400,000 noted above, the total employer contributions for the year, including life assurance and other costs, amounted to £399,996 (2013 - £610,867). The Group expects to contribute £411,000 to the scheme during the year to 28 February 2015.

In accordance with FRS 17, the Group discloses the current deficit in the defined benefit scheme of £6,633,000 (2013 - £6,603,000) less any related deferred tax asset as a separate category of liability on its balance sheet.

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (*Continued*)

### 24 Pension schemes (*continued*)

#### *Reconciliation of present value of plan liabilities*

	2014 £'000	2013 £'000
At beginning of year	(19,240)	(16,215)
Current service cost	-	(280)
Contribution by scheme participants	-	(72)
Interest cost	(889)	(811)
Benefits paid	652	350
Actuarial loss on defined benefit obligation	(334)	(2,185)
Curtailment	-	(27)
	(19,811)	(19,240)

#### *Composition of plan liabilities*

	2014 £'000	2013 £'000
Schemes wholly or partly funded	(19,811)	(19,213)

#### *Reconciliation of fair value of plan assets*

	2014 £'000	2013 £'000
At beginning of year	12,637	11,830
Expected return on assets	863	822
Association contributions	400	437
Contribution by scheme participants	-	72
Benefits paid	(652)	(350)
Actuarial (loss)/gain on assets	(70)	(174)
At the end of year	13,178	12,637

#### *Reconciliation to balance sheet*

	2014 £'000	2013 £'000
Present value of funded obligations	(19,811)	(19,240)
Fair value of plan assets	13,178	12,637
Plan deficit	(6,633)	(6,603)
Related deferred tax asset	1,327	1,519
Net liability	(5,306)	(5,084)



## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (*Continued*)

### 24 Pension schemes (*continued*)

*Analysis of amounts recognised in the consolidated profit and loss account are as follows:*

	2014 £'000	2013 £'000
<i>Included in administrative expenses:</i>		
Current service cost	-	(280)
	<u>          </u>	<u>          </u>

*Analysis of the amount charged to finance income/(expenses):*

Expected return - pension scheme assets	863	822
Interest on pension scheme liabilities	(889)	(811)
	<u>          </u>	<u>          </u>
	(26)	11
	<u>          </u>	<u>          </u>

*Analysis of amount recognised in the statement of total recognised gains and losses*

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme asset	(70)	(174)
Changes in assumptions underlying the present value of the scheme liabilities	(334)	(2,185)
	<u>          </u>	<u>          </u>
Actuarial losses recognised in statement of total recognised gains and losses	(404)	(2,359)
	<u>          </u>	<u>          </u>

*Cumulative amount of losses recognised in the statement of total recognised gains and losses*

	2014 £'000	2013 £'000
	(7,485)	(7,081)
	<u>          </u>	<u>          </u>

*Composition of plan assets*

	2014 £'000	2013 £'000
Target return	13,007	12,344
Individual policies	87	103
Other assets	84	190
	<u>          </u>	<u>          </u>
Total	13,178	12,637
	<u>          </u>	<u>          </u>

The overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long term returns by asset class.

	2014 £'000	2013 £'000
<i>Actual return on plan assets</i>	790	648
	<u>          </u>	<u>          </u>

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (*Continued*)

### 24 Pension schemes (*continued*)

The major assumptions used by the actuary in preparing the valuation for FRS 17 purposes were:

	2014	2013
Discount rates	4.60%	4.70%
Expected rates of returns on plan assets		
Target Return Fund	6.90%	6.90%
Cash	6.90%	6.90%
Other assets	6.90%	6.90%
Rate of increase in salaries	0.00%	0.00%
Deferred pension revaluation	3.10%	3.10%
Future pension increases	3.10%	3.10%
Inflation assumption	3.10%	3.10%

#### *Five year analysis*

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	(19,811)	(19,240)	(16,215)	(15,247)	(13,809)
Scheme assets	13,178	12,637	11,830	11,967	10,537
Overall gross deficit	(6,633)	(6,603)	(4,385)	(3,280)	(3,272)
Experience gains and losses on scheme liabilities	-	(352)	-	-	(529)
Changes in assumptions used to value Scheme liabilities	(334)	(1,833)	(603)	(479)	(1,544)
Experience gains and losses on scheme assets	(70)	(174)	(817)	208	1,116

#### *Defined benefit scheme – Association*

As described in the accounting policies on page 12, the defined benefit pension scheme is a group multi-employer scheme. The actuary has determined that for FRS 17 purposes, a realistic split of the assets and liabilities for allocation to member entities cannot be reliably achieved. In the individual entities therefore, pension costs are charged to the profit and loss account in the period in which they become payable (as for a defined contribution scheme).

The contributions payable by the Association to the scheme for the year ended 28 February 2014 were £257,436 (2013 - £270,844).

#### *Defined contribution scheme - Group*

A money purchase defined contribution scheme is available for other staff including executive and administrative and clerical staff employed since December 2001.

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 £335,739 in the current year (2013 - £190,337).

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 *(Continued)*

### 25 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 (formerly HVCA Limited)	England	Holding company	100%
Welplan Limited	England	Administration of 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	Assessment of gas operatives	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%*
B&ES Publications Limited	England	Dormant	100%*
RAD Training Limited	England	Dormant	100%*
H&V Welfare Limited	England	Dormant	100%*
H&V Pensions Trustee Company Limited	England	Dormant	100%*
Piper Commissions Limited	England	Dormant	100%*
Piper Training Limited	England	Dormant	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 28 February 2014 (*Continued*)

### 25 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:

<b>The Group</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Amounts included in turnover:		
Administration fees	889,232	689,335
Amounts included in administration expenses:		
Rent	63,000	63,000
Net income from interests in associated companies	88,492	183,439
Amounts included in debtors	134,990	87,184
Amounts included in creditors	271,571	276,055
	<u>                    </u>	<u>                    </u>

- (ii) Engineering Services Training Trust Limited, SummitSkills Limited and Refcom Certification Limited 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 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:

<b>The Group</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Amounts included in administrative costs:		
Subscriptions payable (net)	22,083	32,500
Amounts included in turnover:		
Administration fees	70,000	60,000
Amounts included in debtors	276,855	297,256
	<u>                    </u>	<u>                    </u>

## BUILDING & ENGINEERING SERVICES ASSOCIATION

Notes forming part of the financial statements  
for the year ended 28 February 2014 (Continued)

### 25 Additional information on subsidiary undertakings and related parties (continued)

#### Related parties (continued)

- (iii) The Welfare Schemes listed below are considered by the Finance Committee to be related parties of the Association for the purposes of Financial Report 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:

H&V Sickness and Accident Benefit Scheme  
H&V Death Benefit Scheme  
H&V Pensions  
TICI Sickness and Accident Benefit Scheme  
TICI Death Benefit Scheme  
ECI Sickness and Accident Benefit Scheme  
ECI Death Benefit Scheme

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

The Group	2014 £	2014 £	2013 £	2013 £
Amounts included in turnover:				
Administration fees	779,418		932,975	
Insurance premiums	442,830		503,030	
	<u>                    </u>	1,222,248	<u>                    </u>	1,436,005
		<u>                    </u>		<u>                    </u>
Amounts included in debtors		276,855		297,256
		<u>                    </u>		<u>                    </u>

- (iv) Council Members are related parties of the Association for the purposes of Financial Reporting Standard No 8 "Related Party Disclosures". A summary of the aggregate transactions with Building & Engineering Services Association member firms represented on the Council is as follows:

	2014 £	2013 £
Amounts included in turnover:		
Subscriptions	374,753	344,112
	<u>                    </u>	<u>                    </u>