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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? (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: 0330 109 3602

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
Lower Ground Floor, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX

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

CERTIFICATION OFFICE
FOR TRADE UNIONS
& EMPLOYERS' ASSOCIATIONS
27 JUN 2018
RECEIVED

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
1,179	41	-	1	1,221

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	Malcolm Thompson	Tim Hopkinson	06/07/2017
President Elect	Tim Hopkinson	Giuseppe Borgese	06/07/2017
Vice President	Giuseppe Borgese	Andrew Hudson	06/07/2017
Immediate Past President	Jim Marner	Malcolm Thompson	06/07/2017

BUILDING ENGINEERING SERVICES ASSOCIATION

Annual Report and Financial Statements

For the year ended 28 February 2018

COUNCIL AND BOARD MEMBERS AND AUDITOR

Members of the Council who have served during the year

T Hopkinson – E Poppleton & Son Ltd (**President**)
G Borgese – Apleona HSG Ltd
N Brackenridge - Wates
A Brewer – ENGIE FM Ltd
B Boyd – Measham AC Ltd
T Brunt – Briggs & Forrester (Special Projects) Ltd
M Burton – Arnold James (St Albans) Ltd
A Byrne – Gratte Brothers Ltd
M Coote – Gatwick Park Mechanical Services
R Fletcher – Fife Council
A Gregory – Independent Hygiene Services Ltd
A Hudson – G&H Sustainability
S Hudson – Derry Building Services
N James – Arnold James (St Albans) Ltd
K Knapp – CEL-F Solar Systems Ltd
B Lane – Roperhurst Ltd
J Lant – Air Improve Ltd
J Marner – Interserve
C McGlen – Robert Kirkland (Blyth) Ltd
T Mottram – Pipe Systems Ltd
J Norfolk – Imtech Engineering Services Central
R Norman – Indepth Hygiene Services
J Robinson – Mansfield Pollard & Co Ltd
A Sims – Vent-Tech Ltd
M Thomson – Enigma Environmental Services
A Tonkin – Crown House Technologies
P Williams – Crown House Technologies

Members of the Board who have served during the year

T Hopkinson (**President**)
M Thomson
G Borgese
A Hudson
J Marner
B Lane
N James

P McLaughlin (**Chief Executive**) *Res 31/10/17*
D Frise (**Chief Executive**) *App 16/03/18*
R Barraclough (**Finance Director**) *Res 31/07/17*
S Hardy (**Finance Director**) *App 01/08/17*
B Kirton (**Deputy Chief Executive**) *App 01/11/17*

Independent Auditor

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 28 February 2018

The members of the Board present their annual report and the audited financial statements for the Building Engineering Services Association for the year ended 28 February 2018.

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.

Financial Reporting Standards

Although the Association is unincorporated, and therefore not governed by the Companies Act, the Board 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.

Review of the Business of the Group

Operating in a challenging marketplace the Group continues to pursue a strategy designed to increase Association membership, to further diversify income streams and to re-establish training provision as a core service. Training income, however, continued to be effected by funding delays but, towards the end of the year, the training operation regained funding status for its operation in England and is once more in receipt of funds. The SFG20 and Welplan businesses continue to expand and Association income saw a modest increase during the year.

A strategic review of activities and organisational structure was carried out in the latter part of the year to ensure that the Group provides the products and services that add most value to members, and that these are delivered as efficiently as possible.

Even after the costs of reorganisation, the operating deficit before investment income decreased from £1,023,617 in 2017 to £550,411 in 2018. This improvement was, unfortunately, offset by movement in the Group's share of the net profits in associated undertakings, particularly Esca Estates Limited primarily due to relocation to the Group's new head office at Rotherwick House, with the result that the net deficit on ordinary activities after taxation has increased from £912,038 to £982,840.

In common with many other businesses, BESA has a long term liability in respect of its final salary pension scheme. The re-measurement of the provision for the liability after the deferred tax allowance resulted in a positive movement of £514,600 for 2018. Comparing this to the £4.115 million negative movement in 2017 highlights the volatility in the underlying factors which the accounting standard requires to be taken into account. It is important to recognise that this, and the resultant figures disclosed in the Group and Association Balance Sheets, are distinct and separate from the three yearly assessment of the actuarial position of the Scheme that is used to agree the contributions to the Scheme going forward. There is a deficit recovery plan in place supported by the most recent actuarial valuation which continues to be appropriately funded within the annual trading budgets for the Group.

The BESA Board is satisfied with the changes that were implemented during 2017/18 and is confident that, based on progress made to date, the performance and focus of the Group has improved above the position reported last year.

Events after the end of the Reporting Period

There have been no events since the balance sheet date that materially affect the position of the Group and Association.

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year			£	£
	INCOME			
3,723,710	From Members	Subscriptions, levies, etc		3,781,406
23,249	Investment income	Interest and dividends (gross)	18,775	
-		Bank interest (gross)	-	
572,637		Gain/(loss) from interest in associates	(148,854)	(130,079)
				3,651,327
46,349	Other income	Rents received	45,000	
439,959		Insurance commission	445,523	
789,948		Training Agency	1,124,470	
4,288,181		Welfare and other services	5,089,793	
15,000		Gain arising on FV of Investment	-	
				6,704,786
9,899,033		TOTAL INCOME		10,356,113
	EXPENDITURE			
	Administrative expenses			
5,787,471		Remuneration and expenses of staff	5,991,969	
713,462		Occupancy costs	720,113	
458,742		Printing, Stationery, Post & Telephone	557,333	
1,343,979		Legal and Professional fees	1,366,138	
252,520		Publicity	141,245	
476,703		College fees and grants payable	608,230	
487,445		Travel and motor expenses	431,168	9,816,196
23,280	Other charges	Bank charges	25,473	
314,983		Depreciation	326,804	
199,273		Affiliation fees	187,697	
54,400		Insurance claims paid	110,800	
53,872		Conference and meeting fees	199,285	
75,415		Expenses	320,193	
333,239		Finance cost	349,859	
4,851,000		Actuarial (gain)/loss	(620,000)	
75,719		Bad debt provision	45,557	
(5,500)		(Profit)/loss on sale of fixed assets	4,598	950,266
(570,232)	Taxation charge / (credit)			57,891
14,925,771		TOTAL EXPENDITURE		10,824,353
		Surplus/Deficit for year		(468,240)
(5,026,738)				
6,380,255		Amount of fund at beginning of year		1,353,517
1,353,517		Amount of fund at end of year		885,277

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 28 FEBRUARY 2018

(see notes 19 and 20)

Previous Year		£		£
	Fixed Assets (as at page 11)			
1,188,477	Tangible assets	1,244,092		
959,004	Intangible assets	1,154,268		
825,943	Investment property	825,943		3,224,303
	Investments (as per analysis on page 13)			
-	Quoted (Market value £)	-		
7,925,351	Unquoted	7,263,091		
	Total Investments			7,263,091
	Other Assets			
5,016,319	Sundry debtors	4,635,987		
3,935,639	Cash at bank and in hand	2,802,831		
-	Stocks of goods	-		
	Total of other assets			7,438,818
19,850,733	TOTAL ASSETS			17,926,212
1,353,517	Fund (Account)			
	Fund (Account)			
	Statutory Reserve			885,277
	Revaluation Reserve			
	Liabilities			
-	Loans			
159,037	Bank overdraft	183		
367,240	Tax payable	431,708		
2,308,468	Sundry creditors	2,023,628		
2,345,044	Accrued expenses	2,337,889		
17,427	Provisions – Deferred Tax	17,427		
13,300,000	Other liabilities – Pension Liability	12,230,100		
18,497,216	TOTAL LIABILITIES			17,040,935
19,850,733	TOTAL ASSETS			17,926,212

FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures, Fittings & Equipment	Motor Vehicles	Total
	£	£	£	£
COST OR VALUATION				
At start of period	973,930	199,220	15,327	1,188,477
Additions during period	117,213	58,183	-	175,396
Less: Disposals during period	-	(1,500,016)	-	(1,500,016)
Less: DEPRECIATION:				
Charge for the year	(16,299)	(91,516)	(7,367)	(115,182)
Depreciation on disposals	-	1,495,417	-	1,495,417
Total to end of period	(16,299)	1,403,901	(7,367)	1,380,235
 BOOK AMOUNT at end of period	 1,074,844	 161,288	 7,960	 1,244,092
Freehold	1,074,844			
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET	1,074,844	161,288	7,960	1,244,092

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)	
	Equity accounted	41,354
	Welfare Holdings (H&V) Ltd	7,221,737
	Esca Estates Limited – Interest in Associate	
TOTAL QUOTED (as Balance Sheet)	7,263,091	
*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	X	NO
If YES name the relevant companies:				
COMPANY NAME B&ESA Limited	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered) 0852809			
INCORPORATED EMPLOYERS' ASSOCIATIONS				
Are the shares which are controlled by the association registered in the association's name		YES	NO X	
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&ESA Limited	Trevor Brunt Alan Gregory Martin Burton			
UNINCORPORATED EMPLOYERS ASSOCIATIONS				
Are the shares which are controlled by the association registered in the names of the association's trustees?		YES	NO X	
If NO, state the names of the persons in whom the shares controlled by the association are registered.				
COMPANY NAME	NAMES OF SHAREHOLDERS			
B&ESA Limited	Trevor Brunt Alan Gregory Martin Burton			

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	3,781,406		3,781,406
From Investments	(130,079)		(130,079)
Other Income (including increases by revaluation of assets)	6,704,786		6,704,786
Total Income	10,356,113		10,356,113
EXPENDITURE (including decreases by revaluation of assets)	10,824,353		10,824,353
Total Expenditure	10,824,353		10,824,353
Funds at beginning of year (including reserves)	1,353,517		1,353,517
Funds at end of year (including reserves)	885,277		885,277
ASSETS			
Fixed Assets			3,224,303
Investment Assets			7,263,091
Other Assets			7,438,818
		Total Assets	17,926,212
LIABILITIES		Total Liabilities	17,040,935
NET ASSETS (Total Assets less Total Liabilities)			885,277

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


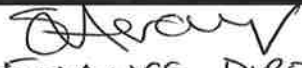
(see notes 37 and 38)

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: <u></u> Name: <u>MARK OAKES</u> Date: <u>24/07/18</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: <u>SKYE HARDY</u> Date: <u>23/07/18</u>
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CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3) <i>updated on Page 3</i>	YES		NO	<input checked="" type="checkbox"/>
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	<input checked="" type="checkbox"/>	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	<input checked="" type="checkbox"/>	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	<input checked="" type="checkbox"/>	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

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

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.

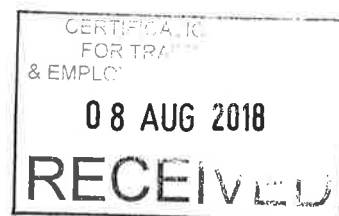
(See section 36(4) of the 1992 Act set out in note 43)

YES

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 the audit report issued.



AUDITOR'S REPORT (continued)

In our opinion the financial statements:

- give a true and fair view of the state of the Association and Group's affairs as at 28 February 2018 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

Signature(s) of auditor or auditors:



Name(s):

Mr T Hudson For and on behalf
of Mazars LLP

Profession(s) or Calling(s):

Chartered Accountants
and Statutory Auditor

Address(es):

One St Peter's Square
Manchester
M2 3DE

Date:

7 August 2018.

Contact name and telephone number:

Timothy Hudson
0161 238 9229

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
For the year ended 28 February 2018

BUILDING ENGINEERING SERVICES ASSOCIATION

Annual Report and Financial Statements

For the year ended 28 February 2018

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BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 28 February 2018

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 could suffer a reduction in subscription income. This risk is not only linked to potential member losses or reduced member turnover but also to recruitment and retention of new members. The second risk is that the subsidiary companies, operating in their various business areas, some of which are particularly vulnerable to changes in Government policy, will not return to the position where they provide sufficient 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. These risks and uncertainties are acknowledged in the Group's financial projections and, as far as possible, mitigated by careful risk management and prudent forecasting.

Board members and their interests

None of the Board 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 Board 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.

Research and Development

Group companies are continuously carrying out research in connection with the development of new services and products and the improvement of those currently provided. Development costs are internally generated software development costs of £270,470 (2017 - £437,606) and externally acquired intellectual property of £136,416 (2017 - £121,575).

Statement of Council Responsibilities

The Constitution of the Association requires the Council to "arrange for an annual statement of accounts to be drawn up". The Council accepts that it is therefore responsible for the preparation of 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 order that these financial statements will comply with United Kingdom Generally Accepted Accounting Practice, the Council is therefore required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; 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 also required by the Constitution to ensure that proper accounting records are kept 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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 28 February 2018

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

Auditor

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 Board
on behalf of the Council**



**T Hopkinson
Chairman**

Date: 13th June 2018

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Independent Auditor

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

Opinion

We have audited the financial statements of Building Engineering Services Association (the 'Association') and its subsidiaries (the 'Group') for the year ended 28 February 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Reserves, the Association Statement of Comprehensive Income, the Association Statement of Changes in Reserves, the Association Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Association and Group's affairs as at 28 February 2018 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standards. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Independent Auditor

Other information

The members of the board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Board

As explained more fully in the board members' responsibilities statement set out on page 3, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board members are responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mazars LLP

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Date: *14 June 2018.*

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2018


	Note	2018 £	2017 £
Turnover	2	10,486,192	9,288,147
Cost of sales		(4,896,804)	(4,652,005)
Gross surplus		<u>5,589,388</u>	<u>4,636,142</u>
Administrative expenses		(6,139,799)	(5,659,759)
Operating deficit	5	<u>(550,411)</u>	<u>(1,023,617)</u>
Gain arising on fair value of investment property (Loss) / Income from interests in associated undertakings	12	-	15,000
Other interest receivable and similar income	6	(148,854)	572,637
Interest payable and similar charges	7	18,775	23,249
	8	(349,859)	(333,239)
Deficit on ordinary activities before taxation		<u>(1,030,349)</u>	<u>(745,970)</u>
Tax credit / (charge) on deficit on ordinary activities	9	47,509	(166,068)
Deficit on ordinary activities after taxation		<u>(982,840)</u>	<u>(912,038)</u>
Other comprehensive income			
Re-measurement in respect of the defined benefit scheme	22	620,000	(4,851,000)
Movements in related deferred tax provision	19	(105,400)	736,300
Total other comprehensive income		<u>514,600</u>	<u>(4,114,700)</u>
Total comprehensive income for the year		<u>(468,240)</u>	<u>(5,026,738)</u>

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION
Consolidated Balance Sheet as at 28 February 2018

	Note	2018		2017	
		£	£	£	£
Assets					
Fixed Assets					
Intangible assets	10		1,154,268		959,004
Tangible assets	11		1,244,092		1,188,477
Investment property	12		825,943		825,943
Fixed asset investments	13		7,263,091		7,925,351
			<u>10,487,394</u>		<u>10,898,775</u>
Current Assets					
Debtors: amounts falling due within one year	14	2,132,882		2,455,324	
Debtors: amounts falling due after more than one year	15	2,503,105		2,560,995	
Cash at bank and in hand	16	2,802,831		3,935,639	
			<u>7,438,818</u>		<u>8,951,958</u>
Total assets			<u>17,926,212</u>		<u>19,850,733</u>
Liabilities and equity					
Reserves					
Accumulated funds	20	516,790		985,030	
Statutory reserves	20	368,487		368,487	
			<u>885,277</u>		<u>1,353,517</u>
Provisions for liabilities					
Pension scheme liability	22	12,230,100		13,300,000	
Deferred taxation	19	17,427		17,427	
			<u>12,247,527</u>		<u>13,317,427</u>
Current liabilities					
Creditors: amounts falling due within one year	17	4,770,908		5,157,289	
Creditors: amounts falling due after more than one year	18	22,500		22,500	
			<u>4,793,408</u>		<u>5,179,789</u>
Total liabilities and equity			<u>17,926,212</u>		<u>19,850,733</u>

These financial statements were approved and authorised for issue by the Board on behalf of the Council of the Building Engineering Services Association on 13th June 2018.


T Hopkinson
 Chairman of the Board


D Frise
 Chief Executive

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Statement of Changes in Reserves

For the year ended 28 February 2018

	Note	Accumulated Funds £	Statutory Reserves £	Total £
At 1 March 2016		6,011,768	368,487	6,380,255
Deficit on ordinary activities		(912,038)	-	(912,038)
Other comprehensive income		(4,114,700)	-	(4,114,700)
Total comprehensive income		(5,026,738)	-	(5,026,738)
At 28 February 2017		985,030	368,487	1,353,517
Deficit on ordinary activities		(982,840)	-	(982,840)
Other comprehensive income		514,600	-	514,600
Total comprehensive income		(468,240)	-	(468,240)
At 28 February 2018		516,790	368,487	885,277

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Association Statement of Comprehensive Income

For the year ended 28 February 2018

	Note	2018 £	2017 £
Turnover	2	3,881,406	3,823,710
Cost of sales		(3,125,831)	(2,719,375)
Gross surplus		755,575	1,104,335
Administrative expenses		(1,965,258)	(1,836,206)
Other operating income	22	194,561	188,894
Operating deficit		(1,015,122)	(542,977)
Dividends from subsidiary undertaking	25	500,000	700,000
Dividends from associated undertaking	13	510,000	2,100,000
Fair value adjustment on investments in associated undertaking	13	(667,366)	(1,634,707)
Interest receivable		57	10
Interest payable and similar charges	22	(348,000)	(331,000)
(Deficit) / surplus on ordinary activities before taxation		(1,020,431)	291,326
Tax charge on (deficit) / surplus on ordinary activities	9	(76,483)	(60,318)
(Deficit) / surplus on ordinary activities after taxation		(1,096,914)	231,008
Other comprehensive income			
Re-measurement in respect of the defined benefit scheme	22	620,000	(4,851,000)
Movements in related deferred tax provision	19	(105,400)	736,300
Total other comprehensive income		514,600	(4,114,700)
Total comprehensive income for the year		(582,314)	(3,883,692)

Association Statement of Changes in Reserves

For the year ended 28 February 2018

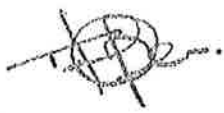
	2018 £	2017 £
At 1 March	(984,571)	2,899,121
(Deficit) / surplus on ordinary activities	(1,096,914)	231,008
Other comprehensive income	514,600	(4,114,700)
Total comprehensive income	(582,314)	(3,883,692)
At 28 February	(1,566,885)	(984,571)

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION
Association Balance Sheet as at 28 February 2018

	Note	2018		2017	
		£	£	£	£
Assets					
Fixed Assets					
Intangible assets	10		9,455		-
Tangible assets	11		136,108		155,390
Investments in subsidiary undertakings	13		100,000		100,000
Investments in associate undertakings	13		7,221,737		7,889,103
			<u>7,467,300</u>		<u>8,144,493</u>
Current Assets					
Debtors: amounts falling due within one year	14	1,942,159		3,591,839	
Debtors: amounts falling due after more than one year	15	2,379,113		2,560,995	
Cash at bank and in hand	16	1,805		1,250	
			<u>4,323,077</u>		<u>6,154,084</u>
Total assets			<u>11,790,377</u>		<u>14,298,577</u>
Liabilities and equity					
Reserves					
Accumulated funds	20		(1,566,885)		(984,571)
Provisions for liabilities					
Pension scheme liability	22		12,230,100		13,300,000
Current liabilities					
Creditors: amounts falling due within one year	17		1,127,162		1,983,148
Total liabilities and equity			<u>11,790,377</u>		<u>14,298,577</u>

These financial statements were approved and authorised for issue by the Board on behalf of the Council of the Building Engineering Services Association on 13th June 2018


T Hopkinson
 Chairman of the Board


D Frise
 Chief Executive

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Cash Flow Statement

For the year ended 28 February 2018

	Note	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Deficit on ordinary activities before taxation		(1,030,349)		(745,970)	
Adjustments for:					
Depreciation of tangible fixed assets		115,182		120,285	
Amortisation of intangible fixed assets		211,621		194,698	
Fair value gain on investment property		-		(15,000)	
Income from investment in associates		148,854		(572,637)	
Cash outflow from pension contributions		(797,900)		(719,000)	
Loss on disposal of fixed assets		4,599		-	
Operating cash flow before movement in working capital		(1,347,993)		(1,737,624)	
Decrease / (increase) in debtors	14	322,442		(557,533)	
(Decrease) / Increase in creditors	17	(225,745)		1,131,226	
Interest received		(18,775)		(23,249)	
Interest payable		349,859		333,239	
Taxation received		1,623		15	
Net cash outflow from operating activities			(918,589)		(853,926)
Cash flows from investing activities					
Payments to acquire tangible assets		(175,396)		(83,011)	
Payments to acquire intangible assets		(406,885)		(559,181)	
Dividends received from associates		510,000		2,100,000	
Proceeds from sale of investments		-		-	
Net cash (outflow) / inflow from investing activities			(72,281)		1,457,808
Cash flows from financing activities					
Interest received		18,775		23,249	
Interest paid		(1,859)		(2,239)	
Net cash inflow from financing activities			16,916		21,010
Net (decrease) / increase in cash and cash equivalents			(973,954)		624,892
Cash and cash equivalents at the start of the year			3,776,602		3,151,710
Cash and cash equivalents at the end of the year			2,802,648		3,776,602
Cash and cash equivalents consists of:					
Cash at bank and in hand	16		2,802,831		3,935,639
Bank overdrafts included within creditors	17		(183)		(159,037)
Total reserves			2,802,648		3,776,602

The notes on pages 13 to 35 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

1 Accounting Policies

1.1 General Information

The Building Engineering Services Association ('the Association') is an unincorporated body operating in the United Kingdom. The address of its principal place of business is:

Rotherwick House, 3 Thomas More St, St Katharine's & Wapping, London, E1W 1YZ

The principal activity of the Association is a trade association serving the building and engineering services sector. The Association is the parent undertaking of a group of companies supporting businesses that operate in the building services industry. The activities of the subsidiary undertakings include the provision of welfare and other related services, insurance, skills registration, training, the operation of competent persons schemes and property ownership.

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.

The Annual Return for the Association can be obtained from:

Certification Office, 22nd Floor, Euston Tower, 286 Euston Road, London, NW1 3JJ.

1.2 Basis of Preparation

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' ('FRS 102') and under the historical cost convention modified for investment properties and equity investments held at fair value.

1.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Association and its subsidiary undertakings for the year ended 28 February 2018. 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-terminous with those of the Association. Details of the subsidiaries are provided in Note 25.

1.4 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 objectives and on winding up, the Group has no right to obtain the benefit of the activities of the Trust. Accordingly, the Board considers that consolidating the Trust into the Group financial statements would misrepresent the Association's activities and financial position.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

1.5 Going Concern

These financial statements have been prepared on a going concern basis. The Board, 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.

It has also considered the financial position of the Association which, as a result of the distorting impact of the re-measurement provision required for the defined benefit scheme, reflects negative reserves in its own balance sheet at 28 February 2018.

Based on these assessments, the Board considers that the Group and the Association 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.

1.6 Revenue Recognition

Turnover in relation to subscriptions, welfare and other services, assessment, registration, publications 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.

1.7 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 Statement of Comprehensive Income, together with a provision for deferred taxation.

1.8 Equity 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 with any adjustments being charged to the Statement of Comprehensive Income.

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 Statement of Comprehensive Income over its estimate of useful economic life which ranges from four to ten years. Impairment tests on the carrying value of goodwill are undertaken.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

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 Company 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

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, intellectual property and website development costs.

The periods of amortisation, on a straight line basis, are as follows:

Development expenditure	4 years / 10 years
Goodwill	10 years
Other	10 years

The Directors have considered the useful economic life of software licenses included within Other to be equivalent to the term of the licence of that software, with an initial licence period of 10 years from December 2015. Any increases in the licence fees due to expansion will be amortised over the remainder of the initial licence period.

During the year, a subsidiary within the Group changed its accounting policy for the amortisation of development expenditure. It was previously considered that development expenditure was 'continuing improvement' as general technological advancements rendered the initial development outdated within a short number of years and so the resulting lifespan was considered to be no more than 4 years. The Directors of the subsidiary have now considered that its development expenditure is directly attributable to the continuing improvement and development of the software licence. The residual net book value of development expenditure at 1 March 2017, together with any future spending, will now be amortised over the remainder of the 10 year licence, expiring December 2025. The residual net book value of development expenditure at 28 February 2018 using the new method of amortisation is included in the Balance Sheet at £1,150,593. Under the old method of amortisation, the residual net book value would have been £1,052,442.

All other development expenditure within the group is expected to be a continuing improvement as general technological advancements render the initial development outdated within a short number of years. The Directors have considered the resulting lifespan of development (other than that which is directly attributable to software licences) to be no more than 4 years.

1.10 Tangible Fixed 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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

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

Freehold buildings	1.41% per annum
Motor vehicles	25% per annum
Equipment, furniture and fittings	15% - 25% per annum

1.11 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 Statement of Comprehensive Income.

1.12 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

- *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.
- *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 Statement of Comprehensive Income.
- *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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

1.13 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.

1.14 Pension Costs

Contributions to the Group's defined contribution pension scheme (the 'Scheme') are charged to the Statement of Comprehensive Income 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.

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.

1.15 Leases

Group as Lessee

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

Group as Lessor

Rental income from leases of investment property is credited in the Consolidated Statement of Comprehensive Income in equal annual amounts over the period of the lease.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

1.16 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In applying the Group's accounting policies, the Board 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 a 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 a 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.

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; asset 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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

- *Valuation of investment property*

The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 28 February 2017. The valuers used a valuation technique based on a discounted cash flow model adjusted for comparable market. The determined fair value of each investment property is most sensitive to the estimated yield as well as the long term vacancy rate.

2 Turnover

An analysis of the Group's revenue by class and category of business is as follows:

	2018 £	2017 £
Subscriptions	3,781,406	3,723,710
Welfare and other services	2,102,348	2,086,780
Training	1,124,470	789,948
Insurance	445,523	439,959
Letting of property	45,000	46,349
Registration	1,133,702	1,047,935
Subscriptions to online literature	1,648,927	940,095
Sale of technical literature	79,361	77,135
Other income	125,455	136,236
	<u>10,486,192</u>	<u>9,288,147</u>

Turnover of the Group originates in the United Kingdom and the Isle of Man, and all relates to continuing operations.

An analysis of the Association's revenue by class and category of business is as follows:

	2018 £	2017 £
Subscriptions and affiliations	3,621,649	3,717,339
Events	44,362	-
Other income	215,395	106,371
	<u>3,881,406</u>	<u>3,823,710</u>

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

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

3 Employee Numbers

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

	2018	2017
The Association	49	47
Building Engineering Services Training Limited	16	18
Welplan Limited	57	70
	<u>122</u>	<u>135</u>

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 is £336,413 (2017 - £298,045).

5 Operating Deficit

The Group operating deficit is stated after charging/(crediting):

	2018	2017
	£	£
Turnover received from government bodies	(871,792)	(710,312)
Rentals under operating leases		
• Land and buildings	87,778	87,778
• Other operating leases	41,918	50,950
Depreciation of tangible fixed assets	115,182	120,285
Amortisation of intangible fixed assets	211,622	194,698
Loss on disposal of fixed assets	4,599	-
Auditors remuneration		
• Audit services	53,729	52,919
• Tax compliance services	4,264	11,974
• Other advisory services	-	20,625
Fees paid to other auditors for subsidiary undertakings	11,700	4,410

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

6 Income from Interests in Associated Undertakings

	2018 £	2017 £
Group		
Share of profits before taxation of Credit Card Holidays Ltd	8,512	8,911
Share of (loss) / profits before taxation of Esca Estates Ltd	(157,366)	563,726
	<u>(148,854)</u>	<u>572,637</u>

7 Other Interest Receivable and Similar Income

	2018 £	2017 £
Group		
Bank interest	18,775	23,249
	<u>18,775</u>	<u>23,249</u>

8 Interest Payable and similar charges

	2018 £	2017 £
Group		
Interest on Defined benefit pension scheme	348,000	331,000
Bank interest	1,859	2,239
	<u>349,859</u>	<u>333,239</u>

9 Tax on deficit / surplus on Ordinary Activities before Taxation

	2018 Group £	2018 Association £	2017 Group £	2017 Association £
a) Analysis of charge in period				
Current Tax				
Group Relief – prior year	-	-	-	(5,642)
Associated undertakings – share of tax charge	-	-	98,433	-
Total current corporation tax	<u>-</u>	<u>-</u>	<u>98,433</u>	<u>(5,642)</u>
Deferred Tax				
Adjustment for taxation of property fair value surplus	-	-	1,675	-
Adjustment for un-utilised tax losses	(123,992)	-	-	-
Adjustment for pension liability movement through ordinary activities	76,483	76,483	65,960	65,960
Taxation charge on deficit on ordinary activities	<u>(47,509)</u>	<u>76,483</u>	<u>166,068</u>	<u>60,318</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

	2018 Group £	2018 Association £	2017 Group £	2017 Association £
b) Reconciliation of factors affecting tax charge for year				
(Deficit) / surplus on ordinary activities before taxation	(1,030,349)	(1,020,431)	(745,970)	291,326
(Deficit) / surplus on ordinary activities by standard rate of corporation tax in the UK 19.085% (2017: 20.000%)	(196,642)	(194,749)	(149,194)	58,265
Effect of:				
Non-taxable income	(47,286)	(95,425)	(60,419)	(560,000)
Non-allowable expenditure	96,617	96,617	66,593	393,476
Rate differential on associated company profits	-	-	(14,312)	-
Prior year adjustment	-	-	-	(5,642)
Adjustment of deferred taxation rate on property fair value surplus	-	-	(1,325)	-
Fixed asset differences	5,102	-	-	-
Deferred tax not recognised	94,700	270,040	324,725	174,219
Taxation (credit) / charge on (deficit) / surplus on ordinary activities	(47,509)	76,483	166,068	60,318

Un-utilised tax losses for the Group at 28 February 2018 amounted to £7,658,117 (2017: £6,339,898).

UK Finance Act 2016, which provided for a reduction in the UK corporation tax rate to 17% from 1 April 2020, was substantively enacted on 6 September 2016. Deferred tax assets and liabilities are valued at the relevant tax rate for the period in which they are expected to be recognised.

10 Intangible Fixed Assets

The Group	Other	Goodwill	Develop- ment Costs	Total £
Cost				
At 1 March 2017	8,400	50,000	1,516,769	1,575,169
Additions	-	-	406,886	406,886
At 28 February 2018	8,400	50,000	1,923,655	1,982,055
Amortisation				
At 1 March 2017	2,626	50,000	563,539	616,165
Charge for the year	2,099	-	209,523	211,622
At 28 February 2018	4,725	50,000	773,062	827,787
Carrying amounts				
At 28 February 2018	3,675	-	1,150,593	1,154,268
At 28 February 2017	5,774	-	953,230	959,004

Development costs are internally generated software development costs (£270,470) and externally acquired to the Group (£136,416). The amortisation charge for the year is included in the Statement of Comprehensive Income under the heading of Administrative Expenses.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements
For the year ended 28 February 2018

The Association	Develop- ment Costs	Total £
Cost		
At 1 March 2017	-	
Additions	9,455	9,455
At 28 February 2018	9,455	9,455
Amortisation		
At 1 March 2017	-	-
Charge for the year	-	-
At 28 February 2018	-	-
Carrying amounts		
At 28 February 2018	9,455	9,455
At 28 February 2017	9,455	9,455

Development costs are externally acquired to the Association.

11 Tangible Fixed Assets

The Group	Freehold Property	Motor Vehicles	Equipment, Furniture & Fittings	Total £
Cost				
At 1 March 2017	1,145,300	41,330	2,320,471	3,507,101
Additions	117,213	-	58,183	175,396
Disposals	-	-	(1,500,016)	(1,500,016)
At 28 February 2018	1,262,513	41,330	878,638	2,182,481
Depreciation				
At 1 March 2017	171,370	26,003	2,121,251	2,318,624
Charge for year	16,299	7,367	91,516	115,182
Disposals	-	-	(1,495,417)	(1,495,417)
At 28 February 2018	187,669	33,370	717,350	938,389
Carrying amounts				
At 28 February 2018	1,074,844	7,960	161,288	1,244,092
At 28 February 2017	973,930	15,327	199,220	1,188,477

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

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

The Association	Equipment, Furniture & Fittings	Total £
Cost		
At 1 March 2017	391,977	391,977
Additions	54,434	54,434
Disposals	(13,690)	(13,690)
At 28 February 2018	432,721	432,721
Depreciation		
At 1 March 2017	236,587	236,587
Charge for year	73,716	73,716
Disposals	(13,690)	(13,690)
At 28 February 2018	296,613	296,613
Carrying amounts		
At 28 February 2018	136,108	136,108
At 28 February 2017	155,390	155,390

12 Investment Property

The Group	2018 £	2017 £
Fair value at 1 March	825,943	810,943
Fair value gains recognised in the Statement of Comprehensive Income	-	15,000
At 28 February	825,943	825,943

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

As at 28 February 2018, the fair values of the investment properties were based on valuations performed by independent valuers, who hold professional qualifications with the Royal Institution of Chartered Surveyors and have 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 investment property with a value brought forward of £505,000 is held by a subsidiary and the fair value has been assessed by the Directors as remaining the same as at 28 February 2017. As a result, no adjustment has been made to the balance sheet value. The critical assumptions made in the valuation of the property with a fair value of £505,000 were a market rent of £45,000 per annum, allowance for purchases costs of 4.5% and a yield in perpetuity rate of 8.5%.

The investment property with a value brought forward of £320,943 is a mixed use property and is held by a subsidiary. The fair value at 28 February 2018 was assessed by the directors of the subsidiary as being equal to historical cost. A formal valuation as at 28 February 2017 confirmed the value at that date to be £320,000. As a result, no adjustment has been made to the balance sheet value.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

13 Fixed Asset Investments

The Group	2018 £	2017 £
Interest in associated undertakings:		
As at 1 March	7,925,351	9,551,162
Share of profits pre-tax	(148,854)	572,637
Share of tax	(1,624)	(98,448)
Prior year adjustment	(1,782)	-
Less dividends received	(510,000)	(2,100,000)
As at 28 February	7,263,091	7,925,351

All above investments are unlisted.

The Association	2018		2017	
	Subsidiaries £	Associate £	Subsidiaries £	Associate £
Interest in subsidiary and associated undertakings:				
Cost / valuation at 1 March	100,000	7,889,103	100,000	9,523,810
Fair value adjustments to the Statement of Comprehensive Income	-	(667,366)	-	(1,634,707)
Cost / valuation at 28 February	100,000	7,221,737	100,000	7,889,103

Subsidiary undertakings are held at cost. Additional information in respect of subsidiary companies is set out in note 25 to these financial statements.

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 Balance Sheet.

The associated undertaking is held at fair value with any adjustments being charged to the Association Statement of Comprehensive Income. The fair value of the associated undertaking is deemed to be the Association's share of the net assets of the associate as its latest Balance Sheet reflects a recently acquired investment property and cash and therefore the Board consider this to be an appropriate measure of fair value. Additional information in respect of associated companies is set out in note 26 to these financial statements.

All above investments are unlisted.

14 Debtors: amounts falling due within one year

	2018		2017	
	Group £	Association £	Group £	Association £
Trade debtors	738,503	57,303	698,780	81,563
Amounts owed by subsidiary undertakings	-	1,582,632	-	3,230,877
Amounts owed by associated undertakings	45,879	6,110	12,229	2,825
Amounts owed by related undertakings	246,100	15,080	307,689	9,404
Prepayments and accrued income	752,580	275,846	801,045	251,179
Other debtors	349,820	5,188	635,581	15,991
	2,132,882	1,942,159	2,455,324	3,591,839

Amounts due from subsidiary, associated and related undertakings are unsecured, interest-free and repayable on demand.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

15 Debtors: amounts falling due after more than one year

	2018		2017	
	Group £	Association £	Group £	Association £
Deferred tax asset (see note 19)	2,203,109	2,079,117	2,261,000	2,261,000
Other debtors	299,996	299,996	299,995	299,995
	<u>2,503,105</u>	<u>2,379,113</u>	<u>2,560,995</u>	<u>2,560,995</u>

16 Cash at bank and in hand

	2018		2017	
	Group £	Association £	Group £	Association £
Unrestricted cash funds	2,775,898	1,805	3,931,404	1,250
Holiday pay scheme funds	26,933	-	4,235	-
	<u>2,802,831</u>	<u>1,805</u>	<u>3,935,639</u>	<u>1,250</u>

The balance of holiday pay scheme funds shown above is matched by liabilities as reflected in Note 17.

17 Creditors: amounts falling due within one year

	2018		2017	
	Group £	Association £	Group £	Association £
Bank overdraft ¹	183	-	159,037	159,037
Trade creditors	728,741	96,683	1,290,750	206,090
Holiday pay scheme liability ²	26,933	-	4,235	-
Amounts owed to subsidiary undertakings	-	250,843	-	839,773
Amounts owed to associated undertakings	168,154	168,154	124,202	124,202
Amounts owed to related undertakings	919,554	-	662,786	-
Taxation and social security	431,708	129,656	367,240	138,818
Other creditors	157,746	13,463	203,995	3,841
Accruals and deferred income	2,337,889	468,363	2,345,044	511,387
	<u>4,770,908</u>	<u>1,127,162</u>	<u>5,157,289</u>	<u>1,983,148</u>

¹ The bank overdraft above consists of payments not yet cleared by the balance sheet date.

² The holiday pay scheme liability is matched by segregated cash holdings as reflected in Note 16.

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

18 Creditors: amounts falling due after more than one year

	2018		2017	
	Group £	Association £	Group £	Association £
Other creditors	22,500	-	22,500	-
	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>-</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

19 Deferred Tax

The deferred taxation assets and liabilities provided in the financial statements are as follows:

	2018		2017	
	£	£	£	£
Tax on defined benefit pension scheme provision:				
At 1 March	2,261,000		1,590,660	
Movement on items charged to Statement of Comprehensive Income	(76,483)		(65,960)	
Movement charged to Other Comprehensive Income:	(105,400)		736,300	
At 28 February (see note 15)		2,079,117		2,261,000
Tax on un-utilised tax losses:				
At 1 March	-		-	
Movement on items charged to Statement of Comprehensive Income	123,992		-	
At 28 February (see note 15)		123,992		-
Tax on investment property fair value surplus:				
At 1 March	(17,427)		(15,752)	
Movement on items charged to Statement of Comprehensive Income	-		(1,675)	
At 28 February		(17,427)		(17,427)
		2,185,682		2,243,573

The deferred taxation assets not provided in the financial statements are as follows:

	2018	2017
	£	£
Timing differences on capital allowances	115,565	200,172
Tax losses not utilised	1,177,888	951,897
	1,293,453	1,152,069

20 Reserves

Accumulated Funds

This reserve represents the cumulative retained earnings of the Group and the Association.

Statutory Reserves

This is a specific reserve held by a subsidiary of the Group, Piper Insurance Company Limited, under Regulation 12 of the Isle of Man Insurance Regulations 1986.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

21 Financial Instruments

Financial assets at fair value with any adjustment being charged to the Statement of Comprehensive Income:

	2018		2017	
	Group £	Association £	Group £	Association £
Equity investments:				
Investments in subsidiary undertakings	-	100,000	-	100,000
Investment in associate	-	7,221,737	-	7,889,103
Investment in joint venture entity	-	-	-	-
	-	7,321,737	-	7,989,103

Investments in subsidiaries held by the Association are held at cost. All other investments are held at fair value which, as they are unlisted, has been determined based on management's assessment that the market value of the shares is equal to each Company's net assets.

Financial assets that are debt instruments measured at amortised costs:

	2018		2017	
	Group £	Association £	Group £	Association £
Trade debtors	738,503	57,303	698,780	81,563
Amounts owed by subsidiary undertakings	-	1,582,632	-	3,233,702
Amounts owed by associated undertakings	45,879	6,110	12,229	2,825
Amounts owed by related undertakings	246,100	15,080	307,689	9,404
	1,030,482	1,661,125	1,018,698	3,327,494

Financial liabilities that are debt instruments measured at amortised costs:

	2018		2017	
	Group £	Association £	Group £	Association £
Trade creditors	728,741	96,683	1,290,750	206,090
Amounts owed to subsidiary undertakings	-	250,843	-	839,773
Amounts owed to associated undertakings	168,154	168,154	124,202	124,202
Amounts owed to related undertakings	919,554	-	662,786	-
	1,816,449	515,680	2,077,738	1,170,065

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

22 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 – the 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 28 February 2018 was 49 (2017 – 47).

The assets of the scheme, which amounted to £12.0m at 28 February 2018 (2017 – £13.0m), 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 was prepared as at 28 February 2018. 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 2021.

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 £797,900 (2017 – £719,000). The Group expects to contribute £621,591 to the scheme during the year to 28 February 2019.

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:

	2018 £'000	2017 £'000
Present value of funded obligation	(25,220)	(26,253)
Fair value of plan assets	12,990	12,953
Net liability	<u>(12,230)</u>	<u>(13,300)</u>

Analysis of amounts recognised in the Statement of Comprehensive Income:

	2018 £'000	2017 £'000
Net interest expense	<u>(348)</u>	<u>(331)</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

Analysis of amounts recognised in Other Comprehensive Income:

	2018 £'000	2017 £'000
Return on plan asset (excluding amounts recognised as interest)	(488)	232
Actuarial changes	1,108	(5,083)
	<u>620</u>	<u>(4,851)</u>

Reconciliation of present value of plan liabilities:

	2018 £'000	2017 £'000
At 1 March	(26,253)	(21,121)
Interest cost	(700)	(809)
Benefits paid	625	760
Actuarial changes	1,108	(5,083)
At 28 February	<u>(25,220)</u>	<u>(26,253)</u>

Reconciliation of fair value of plan assets:

	2018 £'000	2017 £'000
At 1 March	12,953	12,284
Interest on assets	352	478
Return on plan asset (excluding amounts recognised as interest)	(488)	232
Employer contributions	798	719
Benefits paid	(625)	(760)
At 28 February	<u>12,990</u>	<u>12,953</u>

Composition of plan assets:

	2018 £'000	2017 £'000
Diversified growth funds	-	9,606
Gilt funds	-	3,128
Mobius Life	12,575	-
Annuities	101	102
Cash	314	117
	<u>12,990</u>	<u>12,953</u>

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Notes to the Financial Statements

For the year ended 28 February 2018

Major assumptions used by the Actuary in preparing the valuation for FRS102 purposes were:

	2018	2017
Discount rates	2.70%	2.70%
Deferred pension revaluation	3.10%	3.30%
Future pension increases	3.10%	3.30%
Inflation assumption	3.10%	3.30%

Mortality assumptions – S2NMA LIGHT/S2NFA (light mortality of males only) year of both tables with CMI 2017 (2017: CMI 2014) projections and long-term rate of improvement of 1% (2017: 1%) per annum.

Tax free cash – 90% of members are assumed to take 25% of their pension as tax-free cash in both the 2018 and 2017 valuation.

Proportion married – 80% married at retirement or earlier death in both the 2018 and 2017 valuation. An allowance is made for the actual marital status for the largest pensioner liabilities.

Defined benefit scheme

The Association and 3 other participating employers are required to contribute to the scheme deficit. The contributions payable by the Association to the scheme for the year ended 28 February 2018 were £603,339 (2017 - £530,106). Contributions payable by subsidiary undertakings to the scheme for the year ended 28 February 2018 were £194,561 (2017 - £188,894). In the Association Statement of Comprehensive Income, the contributions payable by subsidiary undertakings are recognised as pension recharges within other operating income.

Defined contribution scheme

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 £363,478 in the current year (2017 - £337,160). At 28 February 2018 there was £nil (2017 - £nil) outstanding

23 Capital Commitments

At 28 February 2018, capital commitments contracted for but not provided in the Group were £92,000 (2017 - £140,000) and in the Association £nil (2017 - £nil).

24 Operating Lease Commitments

Group as Lessor

The Group has investment properties that are leased to third parties. The future minimum lease payments receivable under those non-cancellable leases are as follows:

	2018	2017
	£	£
Within one year	45,000	45,000
Between two to five years	75,000	120,000
	<hr/>	<hr/>
	120,000	165,000
	<hr/>	<hr/>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

Group as Lessee

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

	2018		2017	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	13,690	47,611	87,778	71,344
Between two to five years	7,415	59,062	21,105	78,495
	<u>21,105</u>	<u>106,673</u>	<u>108,883</u>	<u>149,839</u>

25 Additional Information on Subsidiary Undertakings

Subsidiary	Country of incorporation, registration and operation	Principal activity	% of ordinary shares held
B & ESA Limited ²	England ⁵	Holding company	100% ¹
Welplan Limited	England ⁵	Administration of pension, welfare benefits and health insurance schemes	100% ¹
Piper Insurance Company Limited	Isle of Man ⁶	Insurance	100% ¹
Building Engineering Services Training Limited	England ⁵	Training	100% ¹
Piper Assessment Limited	England ⁵	Property ownership	100% ¹
Engineering Services Skillcard Limited	England ⁵	Registration of industry qualifications and skills	100% ¹
Building Engineering Services Competence Assessment Limited	England ⁵	Operation of competent persons schemes	100% ¹
Refcom Limited	England ⁵	Competence registration	100% ¹
BESA Publications Limited	England ⁵	Publications	100% ¹
Piper Training Limited	England ⁵	Training (previously dormant)	100% ¹
Welplan Holiday Pay Limited ^{3,4}	England ⁵	Dormant	100% ¹
Welplan Investments Limited ⁴	England ⁵	Dormant	100% ¹
ECl Holiday Pay Limited ^{3,4}	England ⁵	Operation of holiday pay schemes	100% ¹
ECl Holiday Pay Investments Limited ⁴	England ⁵	Investment of holiday pay funds	100% ¹
Welplan Pensions Trustee Company Limited	England ⁵	Dormant	100% ¹
H & V Welfare Limited	England ⁵	Dormant	100% ¹
RAD Training Limited	England ⁵	Dormant	100% ¹

¹ The shareholdings are held through B&ESA Limited or its subsidiary companies.

² During the year, B&ESA Ltd paid a dividend to BESA of £500,000 (2017 - £700,000).

³ Limited by guarantee

⁴ UK subsidiaries taking advantage of the available audit exemptions set out within section 479A of the Companies Act.

⁵ Registered office – Old Mansion House, Eamont Bridge, Penrith, CA10 2BX

⁶ Registered office – Level 2, Samuel Harris House, 5-11 St Georges Street, Douglas, Isle of Man, IM1 1AJ

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 28 February 2018

26 Additional Information on Associated Undertakings and Joint Ventures

	Undertaking	Accounting Reference Date	% of shares held	% of voting rights
Credit Card Holidays Ltd ¹ <i>See (a) below</i>	Joint venture of Association and Group	28 February	-	50%
Welfare Holdings (H&V) Ltd ¹ <i>See (a) below</i>	Subsidiary undertaking of CCH	28 February	50%	50%
ESCA Estates Ltd ¹ <i>See (b) below</i>	Associated undertaking of Association and Group	30 November	43%	43%

¹ Country of incorporation, registration and operation – England

(a) Credit Card Holidays Limited and subsidiary undertaking

Credit Card Holidays Limited does not trade for profit. It operates a holiday pay 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 pay 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 Board is satisfied that no material distortion is caused by its Accounting Reference Date being different from that of the Association and Group.

27 Related Party Transactions

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

- a) Credit Card Holidays Limited, Welfare Holdings (H&V) Limited and ESCA Estates Limited, being associated companies of the Association are related parties of the Group for the purposes of FRS102 Section 33 "Related Party Disclosure". A summary of the aggregate transactions which have been undertaken by the Group with these parties is as follows:

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The Group	2018 £	2017 £
Amounts included in turnover:		
Cash collected on behalf of the Group, unclaimed holiday pay credits and interest	892,449	878,181
Management charges receivable	100,000	-
Amounts included in administration expenses:		
Rent, rates and service charges	403,559	415,077
Amounts included in debtors	45,876	76,931
Amounts included in creditors	168,154	124,202

b) The undertakings listed below are considered by the Board to be related parties of the Group, for the purposes of FRS 102 section 33 by virtue of these entities being administered by wholly owned subsidiaries of the Group.

- The Welfare Schemes, administered by Welplan Limited, and which Welplan Limited acts as Trustee for, are as follows:
 - Welplan Sickness and Accident Scheme
 - Welplan Death Benefit Scheme
 - Welplan Pensions
 - TICI Sickness and Accident Scheme
 - TICI Death Benefit Scheme
 - ECI Sickness and Accident Scheme
 - ECI Death Benefit Scheme
- Refcom Certification Ltd is an accreditation body and limited company for which the Association acts as administrator

A summary of the aggregate transactions which have been undertaken by the Group with the Welfare Schemes is as follows:

The Group	2018		2017	
	£	£	£	£
Amounts included in turnover:				
Administration fees	1,145,596		1,184,627	
Insurance premiums	1,413,868		1,348,024	
		2,559,464		2,532,651
Amounts included in debtors		225,145		230,883
Amounts included in creditors		919,554		662,786

A subsidiary of the Group also collected cash on behalf of schemes administered by their Trustee, Welplan Ltd, to the value of £2,351,920 (2017 - £2,885,755) for the year. The balance not yet transferred as at 28 February 2018 was £269,119 (2017 - £252,798) and is included within the creditor balance above.

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- c) Engineering Services Training Trust Limited is considered by the Board to be a related party of the Group by virtue of the Association's influence upon the organisation. Refcom Certification Ltd is an accreditation body and limited company for which Welplan, a wholly owned subsidiary of the Group, acted as administrator in the year to 29 February 2016 only. A summary of the aggregate transactions which have been undertaken by the Group is as follows:

The Group	2018	2017
	£	£
Amounts included in debtors	15,470	12,104

- d) 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:

The Group	2018		2017	
	£	£	£	£
Amounts included in turnover:				
Subscriptions		244,742		344,382

- e) Key management personnel compensation is disclosed within note 4.

