

## Form AR27

Trade Union and Labour relations (Consolidation) Act 1992

### Employers' Association's details

Name of Employers' Association:

Building Engineering Services Association

Year ended:

28 February 2019

List number:

043/E

Head or Main Office:

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

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

Yes

No

X

(Tick as appropriate)

Website address (if available)

www.thebesa.com

General Secretary:

Mr Mark Oakes

Contact name for queries regarding the completion of this return:

Ms Skye Hardy

Telephone Number:

01768 860432

E-mail:

Skye.hardy@thebesa.com

Please follow the guidance notes in the completion of this return. Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 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.



## 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
<b>1,074</b>	<b>34</b>	<b>-</b>	<b>1</b>	<b>1,109</b>

## Change of officers

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

Position held	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
Vice President	Andrew Hudson	John Norfolk	5 July 2018

## Officers in post

(see note 10)

**Please insert a complete list of all officers in post at the end of the year to which this form relates.**

Name of Officer	Position held
Tim Hopkinson	President
Giuseppe Borgese	President Elect
John Norfolk	Vice President
Malcolm Thompson	Immediate Past President

## Revenue account/General Fund

[\(see notes 11 to 16\)](#)

Previous Year		£	£
<b>Restated</b>	<b>Income</b>		
3,781,406	From Members      Subscriptions, levies, etc		3,892,566
18,775 (148,854)	Investment income      Interest and dividends (gross) Gain/(loss) from interest in associates	18,340 (280,563)	 (262,223)
45,000 445,523 1,124,470 5,089,793 - - -	Other income      Rents received Insurance commission Training Agency Welfare and other services Grant Income Gain arising on FV of Investment Miscellaneous receipts (specify)	24,375 432,710 1,286,180 5,661,496 9,633 50,000 -	       7,464,394
10,356,113	<b>Total income</b>		11,094,737
	<b>Expenditure</b>		
	Administrative expenses		
5,991,969	Remuneration and expenses of staff	5,096,526	
720,113	Occupancy costs	556,491	
557,333	Printing, Stationery, Post & Telephone	492,110	
1,366,138	Legal and Professional fees	1,449,701	
141,245	Publicity	113,566	
608,230	College fees and grants payable	722,759	
431,168	Travel and motor expenses	338,362	
			8,769,515
25,473	Other charges      Bank charges	26,868	
326,804	Depreciation	366,081	
187,697	Affiliation fees	173,566	
110,800	Insurance claims paid	99,020	
199,285	Conference and meeting fees	217,072	
226,468	Expenses	99,984	
349,859	Finance cost	322,147	
(620,000)	Actuarial (gain)/loss	(347,823)	
45,557	Bad debt provision	34,401	
4,598	(Profit)/loss on sale of fixed assets	29,014	
-	Pension Closure Costs	645,527	
	Miscellaneous receipts (specify)		
			1,665,857
57,891	Taxation		50,491
10,730,628	<b>Total expenditure</b>		10,485,863
(374,515)	Surplus/Deficit for year		608,874
1,400,169	Amount of fund at beginning of year		1,025,654
1,025,654	Amount of fund at end of year		1,634,528

## Accounts other than the revenue account/general fund

[\(See notes 11 to 16\)](#)

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

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

## Accounts other than the revenue account/general fund

[\(See notes 11 to 16\)](#)

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

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

## Accounts other than the revenue account/general fund

[\(see notes 17 to 18\)](#)

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

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

## Balance sheet as at 28 February 2019

[\(see notes 19 and 20\)](#)

Previous Year		£	£
<b>Restated</b>	<b>Fixed Assets</b> (as at page 8)		
1,244,092	Tangible assets	1,242,194	
1,154,268	Intangible assets	478,054	
825,943	Investment property	875,943	2,596,191
	<b>Investments</b> (as per analysis on page 9)		
-	Quoted (Market value £)	-	
7,263,091	Unquoted	6,979,185	6,979,185
	<b>Total Investments</b>		9,575,376
	<b>Other Assets</b>		
4,776,364	Sundry debtors	5,189,640	
2,802,831	Cash at bank and in hand	3,825,094	
-	Stocks of goods	-	
	Others (specify)		
	<b>Total of other assets</b>		9,014,734
18,066,589		<b>Total assets</b>	18,590,110
1,025,654	Fund (Account)		
	Fund (Account)		
	Statutory Reserve		1,634,528
	Revaluation Reserve		
	<b>Liabilities</b>		
-	Loans		
183	Bank overdraft		
431,708	Tax payable	459,376	
2,023,628	Sundry creditors	2,137,718	
2,337,889	Accrued expenses	2,749,561	
17,427	Provisions – Deferred Tax	25,927	
12,230,100	Other liabilities – Pension Liability	11,583,000	16,955,582
18,066,589		<b>Total liabilities</b>	18,590,110
18,066,589		<b>Total assets</b>	18,590,110



## Fixed Assets Account

[\(see note 21\)](#)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At start of period	1,074,844	161,288	7,960	1,244,092
Additions during period	73,725	26,555	-	100,280
Less: Disposals during period	(1,010)	(477,165)	-	(478,175)
Less: DEPRECIATION:				
Charge for the year	(16,993)	(73,363)	(7,367)	(97,723)
Depreciation on disposals	1,010	472,710	-	473,720
Total to end of period	(15,983)	399,347	(7,367)	375,997
 <b>Book amount at end of period</b>	 1,131,576	 110,025	 593	 1,242,194
 Freehold	 1,131,576			
 Leasehold (50 or more years unexpired)				
 Leasehold (less than 50 years unexpired)				
 <b>As balance sheet</b>	 1,131,576	 110,025	 593	 1,242,194

## Analysis of investments

(see note 22)

		Other Funds £
<b>Quoted</b>	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	<b>Total quoted (as Balance Sheet)</b>	-
	*Market Value of Quoted Investments	-
<b>Unquoted</b>	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
	Equity Accounted	
	Welfare Holdings (H&V) Ltd	55,605
	Esca Estates Limited – Interest in associate	6,923,580
	<b>Total quoted (as Balance Sheet)</b>	6,979,185
	*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)

<b>Does the association, or any constituent part of the association, have a controlling interest in any limited company?</b>		YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
If YES name the relevant companies:			
Company name  B&ESA Limited	Company registration number (if not registered in England & Wales, state where registered)  00852809		
<b>Incorporated Employers' Associations</b>			
<b>Are the shares which are controlled by the association registered in the association's name</b>		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
Company name		Names of shareholders	
NA		NA	
<b>Unincorporated Employers' Associations</b>			
<b>Are the shares which are controlled by the association registered in the names of the association's trustees?</b>		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
Company name  B&ESA Limited	Names of shareholders  Trevor Brunt Alan Gregory Martin Coote		

## Summary sheet

(see notes 24 to 33)

	All funds except Political Funds £	Political Funds £	Total Funds £
<b>Income</b>			
From Members	3,892,566		3,892,566
From Investments	(262,223)		(262,223)
Other Income (including increases by revaluation of assets)	7,464,394		7,464,394
<b>Total Income</b>	11,094,737		11,094,737
<b>Expenditure</b> (including decreases by revaluation of assets)	10,485,863		10,485,863
<b>Total Expenditure</b>	10,485,863		10,485,863
<b>Funds at beginning of year</b> (including reserves)	1,025,654		1,025,654
<b>Funds at end of year</b> (including reserves)	1,634,528		1,634,528
<b>Assets</b>			
Fixed Assets			2,596,191
Investment Assets			6,979,185
Other Assets			9,014,734
		<b>Total Assets</b>	18,590,110
<b>Liabilities</b>		<b>Total Liabilities</b>	16,955,582
<b>Net assets (Total Assets less Total Liabilities)</b>			1,634,528

## Notes to the accounts

(see note 34)

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


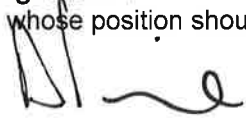
Refer to attached financial statements

Refer to attached financial statement

**Accounting policies**  
(see notes 35 and 36)

Refer to attached financial statements

**Signatures to the annual return**  
including the accounts and balance sheet contained in the return.  
(see notes 37 and 38)

Secretary's Signature:  Name: Mark Oakes  Date: 28/10/19	Chairman's Signature: (or other official whose position should be stated)  Name: David Frise  Date: 28/10/19
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**Checklist**  
(see note 39)  
(please tick as appropriate)

Has the return of change of officers been completed? (see Page 2)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has the list of officers been completed? (see page 2a)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has the return been signed? (see Note 38)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Has the auditor's report been completed? (see Note 39)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Is the rule book enclosed? (see Note 40)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Has the summary sheet been completed? (see Notes 6 and 25 to 34)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

## Checklist for auditor's report

(see notes 40 to 44)

The checklist below is for guidance. A report is still required either set out overleaf or by way of an attached auditor's report that covers the 1992 Act requirements.

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)

See page overleaf and attached accounts

Please explain in your report overleaf or attached.

2. 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)

Please explain in your report overleaf or attached. – Please see attached and overleaf

3. Your auditors or auditor must include in their report the following wording:

**In our opinion the financial statements:**



- give a true and fair view of the matters to which they relate to.
- have been prepared in accordance with the requirements of the sections 28, 32 and 36 of the Trade Union and Labour Relations (consolidation) Act 1992.



### 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 2019 and of its surplus 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 sections 28, 32 and 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:		
Contact name for enquiries 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 2019

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Annual Report and Financial Statements**  
**For the year ended 28 February 2019**

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## 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  
M Coote – Gatwick Park Mechanical Services  
R Fletcher – Fife Council  
A Gregory – IAQ Consultancy 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 Marner – Interserve  
C McGlen – Robert Kirkland (Blyth) Ltd  
J Norfolk – Imtech Engineering Services Central  
J Robinson – Mansfield Pollard & Co Ltd  
A Sims – Vent-Tech Ltd  
M Thomson – Enigma Environmental Services  
A Tonkin – Imtech Engineering Services South  
P Williams – Exyte Hargreaves  
A Blunsdon – Priddy Engineering  
D Norton – Norton Mechanical  
D Monaghan – Stothers Building Engineering Services  
J Kilgannon – TRS Ltd  
R Evans – NG Bailey  
R Hall – SPIE  
W Pitt – NG Bailey

### 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

D Frise (**Chief Executive**)  
S Hardy (**Finance Director**)  
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 2019**

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The members of the BESA Board present their annual report and the audited financial statements for the Building Engineering Services Association for the year ended 28 February 2019.

### **Principal Activities**

The principal activities of the Association are as a trade and employers' association, representing the interests of firms active in the design, installation, commissioning, maintenance, control and management of engineering systems and services in buildings in the United Kingdom. The activities of the subsidiary and related undertakings include the provision of employee benefits, training, insurance, personnel registration, company competence assessment and certification, technical publications 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**

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 member service.

The training environment fundamentally changed during 2017/18 with the introduction of the Apprenticeship Levy, since then we, like other providers, have seen a lower uptake of technical and craft apprenticeships throughout England. While this changing landscape presents some challenges it also produces more defined opportunities. The industry has an established skills shortage and few training providers. In a post Grenfell regulatory regime the market for qualified people who can evidence competence will grow increasing the demand for CPD and certification training.

In March 2019, Group subsidiary Welplan Ltd, made the difficult decision to exit the pensions master trust market. The decision came as a direct response to The Pensions Regulator's new master trust regulations, which make it increasingly difficult for a growing medium-sized scheme such as Welplan Pensions, to compete effectively in the new master trust pensions' market. As a result, following a strategic review by Welplan Ltd (the Scheme's Funder), the decision was made that it would not be possible to continue to support the scheme in the long term in the manner envisaged by the new authorisation regime. The Scheme will continue to operate as normal until such time as the Welplan Pensions Trustee Board has chosen a suitable alternative default pension scheme and arrangements made to transfer participating employers and members funds to the new provider. The closure of Welplan Pensions is anticipated to be completed during 2020. Welplan will now concentrate on expanding its core, long-established welfare benefits business, which is otherwise unaffected by the pensions closure decision.

A comprehensive review of the Group in 2017 resulted in a number of efficiency savings and more stringent cost control being implemented. These measures, and the continued growth and expansion of the SFG20 business, mean the Group is reporting an operating surplus before investment income, interest and other costs of £1,510,819, a significant improvement on the deficit of £456,686 in 2018. This improvement is partially offset by a provision for the one-off closure costs relating to Welplan Pensions, with the result that the net position of ordinary activities after taxation has improved from a deficit in the previous year of £889,115 to a surplus this year of £320,181.

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 £288,693 for 2019. 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 pleased with the progress made during 2018/19 and is confident that the performance and focus of the Group will continue to improve into 2019/20.

# **BUILDING ENGINEERING SERVICES ASSOCIATION**

## **Report of the Board**

### **For the year ended 28 February 2019**

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#### **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.

#### **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 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 £nil (2018 - £270,470) and externally acquired intellectual property of £112,062 (2018 - £136,416).

#### **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.

# **BUILDING ENGINEERING SERVICES ASSOCIATION**

## **Report of the Board**

**For the year ended 28 February 2019**

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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.

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: 21 October 2019

# **BUILDING ENGINEERING SERVICES ASSOCIATION**

## **Report of the Independent Auditor**

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### **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 2019 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 2019 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**

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### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



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

Date: 29 October 2019.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 28 February 2019**


	Note	2019 £	Restated 2018 £
<b>Turnover</b>	<b>2</b>	11,297,327	10,486,192
Cost of sales		(4,095,576)	(4,896,804)
<b>Gross surplus</b>		7,201,751	5,589,388
Administrative expenses		(5,690,932)	(6,046,074)
<b>Operating surplus / (deficit)</b>	<b>5</b>	1,510,819	(456,686)
Gain arising on fair value of investment property	<b>13</b>	50,000	-
Grant income		9,633	-
Loss from interests in associated undertakings	<b>6</b>	(280,563)	(148,854)
Loss on disposal of fixed assets		(29,013)	-
Other interest receivable and similar income	<b>7</b>	18,340	18,775
Interest payable and similar charges	<b>8</b>	(322,147)	(349,859)
<b>Surplus / (deficit) on trading activities before taxation</b>		957,069	(936,624)
Pension closure costs	<b>9</b>	(645,527)	-
<b>Surplus / (deficit) on ordinary activities before taxation</b>		311,542	(936,624)
Tax credit on surplus / (deficit) on ordinary activities	<b>10</b>	8,639	47,509
<b>Surplus / (deficit) on ordinary activities after taxation</b>		320,181	(889,115)
<b>Other comprehensive income</b>			
Re-measurement in respect of the defined benefit scheme	<b>23</b>	347,823	620,000
Movements in related deferred tax provision	<b>20</b>	(59,130)	(105,400)
<b>Total other comprehensive income</b>		288,693	514,600
<b>Total comprehensive income for the year</b>		608,874	(374,515)


The notes on pages 13 to 36 form part of these financial statements.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Consolidated Balance Sheet as at 28 February 2019**

	Note	2019		Restated 2018	
		£	£	£	£
<b>Assets</b>					
<b>Fixed Assets</b>					
Intangible assets	11		478,054		1,154,268
Tangible assets	12		1,242,194		1,244,092
Investment property	13		875,943		825,943
Fixed asset investments	14		6,979,185		7,263,091
			<u>9,575,376</u>		<u>10,487,394</u>
<b>Current Assets</b>					
Debtors: amounts falling due within one year	15	3,028,522		2,273,259	
Debtors: amounts falling due after more than one year	16	2,161,118		2,503,105	
Cash at bank and in hand	17	3,825,094		2,802,831	
			<u>9,014,734</u>		<u>7,579,195</u>
<b>Total assets</b>			<u>18,590,110</u>		<u>18,066,589</u>
<b>Liabilities and equity</b>					
<b>Reserves</b>					
Accumulated funds	21	1,266,041		657,167	
Statutory reserves	21	368,487		368,487	
			<u>1,634,528</u>		<u>1,025,654</u>
<b>Provisions for liabilities</b>					
Pension scheme liability	23	11,583,000		12,230,100	
Deferred taxation	20	25,927		17,427	
			<u>11,608,927</u>		<u>12,247,527</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	18	5,346,655		4,770,908	
Creditors: amounts falling due after more than one year	19	-		22,500	
			<u>5,346,655</u>		<u>4,793,408</u>
<b>Total liabilities and equity</b>			<u>18,590,110</u>		<u>18,066,589</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 21 October 2019.

  
**T Hopkinson**  
 Chairman of the Board

  
**D Frise**  
 Chief Executive

The notes on pages 13 to 36 form part of these financial statements.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Consolidated Statement of Changes in Reserves**  
**For the year ended 28 February 2019**

	Note	Accumulated Funds £	Statutory Reserves £	Total £
<b>At 1 March 2017 (as previously stated)</b>		<b>985,030</b>	<b>368,487</b>	<b>1,353,517</b>
Prior year adjustment	29	46,652	-	46,652
<b>At 1 March 2017 (restated)</b>		<b>1,031,682</b>	<b>368,487</b>	<b>1,400,169</b>
Deficit on ordinary activities (restated)		(889,115)	-	(889,115)
Other comprehensive income		514,600	-	514,600
Total comprehensive income		(374,515)	-	(374,515)
<b>At 28 February 2018 (restated)</b>		<b>657,167</b>	<b>368,487</b>	<b>1,025,654</b>
Surplus on ordinary activities		320,181	-	320,181
Other comprehensive income		288,693	-	288,693
Total comprehensive income		608,874	-	608,874
<b>At 28 February 2019</b>		<b>1,266,041</b>	<b>368,487</b>	<b>1,634,528</b>

The notes on pages 13 to 36 form part of these financial statements.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Association Statement of Comprehensive Income**  
**For the year ended 28 February 2019**

	Note	2019 £	2018 £
<b>Turnover</b>	<b>2</b>	3,992,566	3,881,406
Cost of sales		(2,202,853)	(3,125,831)
<b>Gross surplus</b>		1,789,713	755,575
Administrative expenses		(1,724,523)	(1,965,258)
Other operating income	<b>23</b>	210,031	194,561
<b>Operating surplus / (deficit)</b>		275,221	(1,015,122)
Dividends from subsidiary undertaking	<b>26</b>	1,000,000	500,000
Dividends from associated undertaking	<b>14</b>	-	510,000
Fair value adjustment on investments in associated undertaking	<b>14</b>	(298,157)	(667,366)
Interest receivable		-	57
Interest payable and similar charges	<b>23</b>	(322,000)	(348,000)
<b>Surplus / (deficit) on ordinary activities before taxation</b>		655,064	(1,020,431)
Tax credit/(charge) on surplus / (deficit) on ordinary activities	<b>10</b>	131,159	(76,483)
<b>Surplus / (deficit) on ordinary activities after taxation</b>		786,223	(1,096,914)
<b>Other comprehensive income</b>			
Re-measurement in respect of the defined benefit scheme	<b>23</b>	347,823	620,000
Movements in related deferred tax provision	<b>20</b>	(59,130)	(105,400)
<b>Total other comprehensive income</b>		288,693	514,600
<b>Total comprehensive income for the year</b>		1,074,916	(582,314)

**Association Statement of Changes in Reserves**  
**For the year ended 28 February 2019**

	2019 £	2018 £
<b>At 1 March</b>	<b>(1,566,885)</b>	<b>(984,571)</b>
Surplus / (deficit) on ordinary activities	786,223	(1,096,914)
Other comprehensive income	288,693	514,600
<b>Total comprehensive income</b>	<b>1,074,916</b>	<b>(582,314)</b>
<b>At 28 February</b>	<b>(491,969)</b>	<b>(1,566,885)</b>

The notes on pages 13 to 36 form part of these financial statements.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Association Balance Sheet as at 28 February 2019**

	Note	2019		2018	
		£	£	£	£
<b>Assets</b>					
<b>Fixed Assets</b>					
Intangible assets	11		-		9,455
Tangible assets	12		93,751		136,108
Investments in subsidiary undertakings	14		100,000		100,000
Investments in associate undertakings	14		6,923,580		7,221,737
			<u>7,117,331</u>		<u>7,467,300</u>
<b>Current Assets</b>					
Debtors: amounts falling due within one year	15	2,998,881		1,942,159	
Debtors: amounts falling due after more than one year	16	1,969,110		2,379,113	
Cash at bank and in hand	17	2,435		1,805	
			<u>4,970,426</u>		<u>4,323,077</u>
<b>Total assets</b>			<u>12,087,757</u>		<u>11,790,377</u>
<b>Liabilities and equity</b>					
<b>Reserves</b>					
Accumulated funds	21		(491,969)		(1,566,885)
<b>Provisions for liabilities</b>					
Pension scheme liability	23		11,583,000		12,230,100
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	18		996,726		1,127,162
<b>Total liabilities and equity</b>			<u>12,087,757</u>		<u>11,790,377</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 21 October 2019.



**T Hopkinson**  
Chairman of the Board



**D Frise**  
Chief Executive

The notes on pages 13 to 36 form part of these financial statements.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Consolidated Cash Flow Statement**  
**For the year ended 28 February 2019**

	Note	2019		Restated 2018	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Surplus / (deficit) on ordinary activities before taxation		311,542		(936,624)	
<b>Adjustments for:</b>					
Depreciation of tangible fixed assets		97,723		115,182	
Amortisation of intangible fixed assets		763,220		211,621	
Fair value gain on investment property		(50,000)		-	
Income from investment in associates		280,563		148,854	
Cash outflow from pension contributions		(621,277)		(797,900)	
Loss on disposal of fixed assets		29,013		4,599	
Operating cash flow before movement in working capital		810,784		(1,254,268)	
(Increase) / decrease in debtors	15	(455,269)		228,717	
Increase / (decrease) in creditors	18	553,430		(225,745)	
Interest received		(18,340)		(18,775)	
Interest payable		322,147		349,859	
Taxation received		3,343		1,623	
<b>Net cash inflow / (outflow) from operating activities</b>			1,216,095		(918,589)
<b>Cash flows from investing activities</b>					
Payments to acquire tangible assets		(100,280)		(175,396)	
Payments to acquire intangible assets		(112,062)		(406,885)	
Dividends received from associates		-		510,000	
Proceeds from sale of investments		500		-	
<b>Net cash outflow from investing activities</b>			(211,842)		(72,281)
<b>Cash flows from financing activities</b>					
Interest received		18,340		18,775	
Interest paid		(147)		(1,859)	
<b>Net cash inflow from financing activities</b>			18,193		16,916
<b>Net increase / (decrease) in cash and cash equivalents</b>			1,022,446		(973,954)
Cash and cash equivalents at the start of the year			2,802,648		3,776,602
<b>Cash and cash equivalents at the end of the year</b>			3,825,094		2,802,648
<b>Cash and cash equivalents consists of:</b>					
Cash at bank and in hand	17		3,825,094		2,802,831
Bank overdrafts included within creditors	18		-		(183)
<b>Total reserves</b>			3,825,094		2,802,648

The notes on pages 13 to 36 form part of these financial statements.

# **BUILDING ENGINEERING SERVICES ASSOCIATION**

## **Notes to the Financial Statements**

**For the year ended 28 February 2019**

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### **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 2019. 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 26.

#### **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 or assets 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 2019**

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#### **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 2019.

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 2019

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### 1.9 Intangible Fixed Assets (Continued)

#### *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.

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.

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

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### 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.

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.

# **BUILDING ENGINEERING SERVICES ASSOCIATION**

## **Notes to the Financial Statements**

**For the year ended 28 February 2019**

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### **1.12 Financial Instruments (Continued)**

*Financial liabilities – classified as basic financial instruments*

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

### **1.13 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.

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

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### 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.

### 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.
- *Pension closure costs*  
Provisions for legal fees, software termination and salary related costs, including redundancies, have been made in relation to the closure of Welplan Pensions. Due to the nature and uncertain timing of choosing a suitable alternative default pension arrangement and ultimate closure of the scheme, best estimates have been made for these costs based on current expectations of future income and expenditure. The carrying value of the intangible assets relating to Welplan Pensions have been reassessed by management with assets considered as technically and economically feasible for use in other areas of the business carried forward over the remaining life of the assets. The remaining assets are considered impaired with no carrying value.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended 28 February 2019**

**1.16 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)**

**Key sources of estimation uncertainty**

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

- *Measurement of defined benefit pension scheme*  
 The Group has obligations in respect of benefits due for pension scheme members. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy; salary increases; 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.
- *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 2019. 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:

	2019 £	2018 £
Subscriptions	3,892,567	3,781,406
Welfare and other services	2,254,229	2,102,348
Training	1,286,180	1,124,470
Insurance	432,710	445,523
Letting of property	24,375	45,000
Registration	982,295	1,133,702
Subscriptions to online literature	2,202,730	1,648,927
Sale of technical literature	93,738	79,361
Other income	128,503	125,455
	<u>11,297,327</u>	<u>10,486,192</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:

	2019 £	2018 £
Subscriptions and affiliations	3,623,325	3,621,649
Events	50,474	44,362
Other income	318,767	215,395
	<u>3,992,566</u>	<u>3,881,406</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 2019

### 3 Employee Numbers

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

	2019	2018
The Association	44	49
Building Engineering Services Training Limited	11	16
Welplan Limited	54	57
	<u>109</u>	<u>122</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 £393,191 (2018 - £336,413).

### 5 Operating Profit

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

	2019 £	2018 £
Turnover received from government bodies	(1,190,151)	(871,792)
Rentals under operating leases		
• Land and buildings	13,690	87,778
• Other operating leases	31,143	41,918
Depreciation of tangible fixed assets	97,723	115,182
Amortisation of intangible fixed assets	273,479	211,622
Loss on disposal of fixed assets	13,411	4,599
Auditors remuneration		
• Audit services	85,732	53,729
• Tax compliance services	9,302	4,264
Fees paid to other auditors for subsidiary undertakings	10,500	11,700
	<u></u>	<u></u>

### 6 Income from Interests in Associated Undertakings

	2019 £	2018 £
<b>Group</b>		
Share of profits before taxation of Credit Card Holidays Ltd	17,594	8,512
Share of loss before taxation of Esca Estates Ltd	(298,157)	(157,366)
	<u>(280,563)</u>	<u>(148,854)</u>

### 7 Other Interest Receivable and Similar Income

	2019 £	2018 £
<b>Group</b>		
Bank interest	18,340	18,775
	<u></u>	<u></u>

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements

For the year ended 28 February 2019

### 8 Interest Payable and similar charges

	2019 £	2018 £
<b>Group</b>		
Net interest on Defined benefit pension scheme	322,000	348,000
Bank interest	147	1,859
	<u>322,147</u>	<u>349,859</u>

### 9 Pension Closure Costs

The following provisions relating to the closure of Welplan Pensions have been included in the Statement of Comprehensive Income in the year:

	2019 Group £	2018 Group £
Legal fees	17,644	-
Salary related costs	90,249	-
Software termination	47,893	-
Fixed asset impairment	489,741	-
	<u>645,527</u>	<u>-</u>



**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended 28 February 2019**

**10 Tax on deficit / surplus on Ordinary Activities before Taxation**

	2019 Group £	2019 Association £	2018 Group £	2018 Association £
<b>a) Analysis of charge in period</b>				
<b>Current Tax</b>				
Group Relief	-	(182,036)	-	-
Associated undertakings – share of tax charge	-	-	-	-
Total current corporation tax	-	(182,036)	-	-
<b>Deferred Tax</b>				
Adjustment for taxation of property fair value surplus	8,500	-	-	-
Adjustment for un-utilised tax losses	(68,016)	-	(123,992)	-
Adjustment for pension liability movement through ordinary activities	50,877	50,877	76,483	76,483
Taxation credit on deficit on ordinary activities	(8,639)	(131,159)	(47,509)	76,483
<b>b) Reconciliation of factors affecting tax charge for year</b>				
Surplus / (deficit) on ordinary activities before taxation	311,542	655,064	(936,624)	(1,020,431)
Surplus / (deficit) on ordinary activities by standard rate of corporation tax in the UK 19.00% (2018: 19.085%)	59,193	124,462	(196,642)	(194,749)
Effect of:				
Non-taxable income	(46,539)	(190,000)	(47,286)	(95,425)
Non-allowable expenditure	(52,601)	(52,074)	96,617	96,617
Adjustment for deferred tax rate	49,628	50,877	-	-
Rate differential on associated company profits	-	-	-	-
Prior year adjustment	(92,554)	(119,226)	-	-
Adjustment of deferred taxation rate on property fair value surplus	-	-	-	-
Fixed asset differences	54,613	54,802	5,102	-
Deferred tax not recognised	19,621	-	94,700	270,040
Taxation (credit) / charge on (deficit) / surplus on ordinary activities	(8,639)	(131,159)	(47,509)	76,483

Un-utilised tax losses for the Group at 28 February 2019 amounted to £6,968,135 (2018: £7,658,117).

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.

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 11 Intangible Fixed Assets

The Group	Goodwill	Develop- ment Costs	Other	Total £
<b>Cost</b>				
At 1 March 2018	50,000	1,923,655	8,400	1,982,055
Additions	-	112,062	-	112,062
Disposals	-	(31,483)	-	(31,483)
<b>At 28 February 2019</b>	<b>50,000</b>	<b>2,004,234</b>	<b>8,400</b>	<b>2,062,634</b>
<b>Amortisation</b>				
At 1 March 2018	50,000	773,062	4,725	827,787
Charge for the year	-	761,120	2,100	763,220
Disposals	-	(6,427)	-	(6,427)
<b>At 28 February 2019</b>	<b>50,000</b>	<b>1,527,755</b>	<b>6,825</b>	<b>1,584,580</b>
<b>Carrying amounts</b>				
At 28 February 2019	-	476,479	1,575	478,054
At 28 February 2018	-	1,150,593	3,675	1,154,268

Development costs are internally generated software development costs of £nil (2018 - £270,470) and externally acquired to the Group of £112,062 (2018 - £136,416). The amortisation charge for the year is included in the Statement of Comprehensive Income under the heading of Administrative Expenses and pension closure costs.

The Association	Develop- ment Costs	Total £
<b>Cost</b>		
At 1 March 2018	9,455	9,455
Disposals	(9,455)	(9,455)
<b>At 28 February 2019</b>	<b>-</b>	<b>-</b>
<b>Amortisation</b>		
At 1 March 2018	-	-
Charge for the year	-	-
<b>At 28 February 2019</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>		
At 28 February 2019	-	-
At 28 February 2018	9,455	9,455

Development costs are externally acquired to the Association.

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended 28 February 2019**

**12 Tangible Fixed Assets**

<b>The Group</b>	<b>Freehold Property</b>	<b>Motor Vehicles</b>	<b>Equipment, Furniture &amp; Fittings</b>	<b>Total £</b>
<b>Cost</b>				
At 1 March 2018	1,262,513	41,330	878,638	2,182,481
Additions	73,725	-	26,555	100,280
Disposals	(1,010)	-	(477,165)	(478,175)
<b>At 28 February 2019</b>	<b>1,335,228</b>	<b>41,330</b>	<b>428,028</b>	<b>1,804,586</b>
<b>Depreciation</b>				
At 1 March 2018	187,669	33,370	717,350	938,389
Charge for year	16,993	7,367	73,363	97,723
Disposals	(1,010)	-	(472,710)	(473,720)
<b>At 28 February 2019</b>	<b>203,652</b>	<b>40,737</b>	<b>318,003</b>	<b>562,392</b>
<b>Carrying amounts</b>				
At 28 February 2019	1,131,576	593	110,025	1,242,194
At 28 February 2018	1,074,844	7,960	161,288	1,244,092

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

<b>The Association</b>	<b>Equipment, Furniture &amp; Fittings</b>	<b>Total £</b>
<b>Cost</b>		
At 1 March 2018	432,721	432,721
Additions	25,380	25,380
Disposals	(113,463)	(113,463)
<b>At 28 February 2019</b>	<b>344,638</b>	<b>344,638</b>
<b>Depreciation</b>		
At 1 March 2018	296,613	296,613
Charge for year	63,281	63,281
Disposals	(109,007)	(109,007)
<b>At 28 February 2019</b>	<b>250,887</b>	<b>250,887</b>
<b>Carrying amounts</b>		
At 28 February 2019	93,751	93,751
At 28 February 2018	136,108	136,108

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 13 Investment Property

The Group	2019	2018
	£	£
Fair value at 1 March	825,943	825,943
Fair value gains recognised in the Statement of Comprehensive Income	50,000	-
At 28 February	<u>875,943</u>	<u>825,943</u>

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

As at 28 February 2019, 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. A formal valuation as at 28 February 2019 confirmed the value at that date to be £555,000. As a result, a gain of £50,000 has been added to the balance sheet value. The critical assumptions made in the valuation of the property were a market rent of £50,000 per annum, allowance for purchases costs of 4.5% and a yield in perpetuity rate of 8.233%.

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 2019 was assessed by the directors of the subsidiary as being equal to historical cost. A formal valuation as at 28 February 2019 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 2019

### 14 Fixed Asset Investments

The Group	2019 £	2018 £
Interest in associated undertakings:		
As at 1 March	7,263,091	7,925,351
Share of losses pre-tax	(278,292)	(150,636)
Share of tax	(5,614)	(1,624)
Less dividends received	-	(510,000)
As at 28 February	<u>6,979,185</u>	<u>7,263,091</u>

All above investments are unlisted.

The Association	2019		2018	
	Subsidiaries £	Associate £	Subsidiaries £	Associate £
Interest in subsidiary and associated undertakings:				
Cost / valuation at 1 March	100,000	7,221,737	100,000	7,889,103
Fair value adjustments to the Statement of Comprehensive Income	-	(298,157)	-	(667,366)
Cost / valuation at 28 February	<u>100,000</u>	<u>6,923,580</u>	<u>100,000</u>	<u>7,221,737</u>

Subsidiary undertakings are held at cost. Additional information in respect of subsidiary companies is set out in note 26 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 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 27 to these financial statements.

All above investments are unlisted.

### 15 Debtors: amounts falling due within one year

	2019		Restated 2018	
	Group £	Association £	Group £	Association £
Trade debtors	786,801	29,434	738,503	57,303
Amounts owed by subsidiary undertakings	-	2,198,996	-	1,582,632
Amounts owed by associated undertakings	77,711	9,188	45,879	6,110
Amounts owed by related undertakings	354,747	-	246,100	15,080
Prepayments and accrued income	710,087	361,072	752,580	275,846
Other debtors	1,099,176	400,191	490,197	5,188
	<u>3,028,522</u>	<u>2,998,881</u>	<u>2,273,259</u>	<u>1,942,159</u>

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 2019**

**16 Debtors: amounts falling due after more than one year**

	2019		2018	
	Group £	Association £	Group £	Association £
Deferred tax asset (see note 20)	2,161,118	1,969,110	2,203,109	2,079,117
Other debtors	-	-	299,996	299,996
	<u>2,161,118</u>	<u>1,969,110</u>	<u>2,503,105</u>	<u>2,379,113</u>

**17 Cash at bank and in hand**

	2019		2018	
	Group £	Association £	Group £	Association £
Unrestricted cash funds	3,785,431	2,435	2,775,898	1,805
Holiday pay scheme funds	39,663	-	26,933	-
	<u>3,825,094</u>	<u>2,435</u>	<u>2,802,831</u>	<u>1,805</u>

The balance of holiday pay scheme funds shown above is matched by liabilities as reflected in Note 18.

**18 Creditors: amounts falling due within one year**

	2019		2018	
	Group £	Association £	Group £	Association £
Bank overdraft <sup>1</sup>	-	-	183	-
Trade creditors	933,923	107,702	728,741	96,683
Holiday pay scheme liability <sup>2</sup>	39,663	-	26,933	-
Amounts owed to subsidiary undertakings	-	111,642	-	250,843
Amounts owed to associated undertakings	136,147	136,147	168,154	168,154
Amounts owed to related undertakings	789,663	-	919,554	-
Taxation and social security	459,376	175,405	431,708	129,656
Other creditors	238,322	1,464	157,746	13,463
Accruals and deferred income	2,749,561	464,366	2,337,889	468,363
	<u>5,346,655</u>	<u>996,726</u>	<u>4,770,908</u>	<u>1,127,162</u>

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

<sup>2</sup> The holiday pay scheme liability is matched by segregated cash holdings as reflected in Note 17.

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

**19 Creditors: amounts falling due after more than one year**

	2019		2018	
	Group £	Association £	Group £	Association £
Other creditors	-	-	22,500	-
	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>-</u>

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 20 Deferred Tax

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

	2019		2018	
	£	£	£	£
<b>Tax on defined benefit pension scheme provision:</b>				
At 1 March	2,079,117		2,261,000	
Movement on items charged to Statement of Comprehensive Income	(50,877)		(76,483)	
Movement charged to Other Comprehensive Income:	(59,130)		(105,400)	
At 28 February (see note 15)		1,969,110		2,079,117
<b>Tax on un-utilised tax losses:</b>				
At 1 March	123,992		-	
Movement on items charged to Statement of Comprehensive Income	68,016		123,992	
At 28 February (see note 15)		192,008		123,992
<b>Deferred Tax Asset</b>		<b>2,161,118</b>		<b>2,203,109</b>
<b>Tax on investment property fair value surplus:</b>				
At 1 March	(17,427)		(17,427)	
Movement on items charged to Statement of Comprehensive Income	(8,500)		-	
At 28 February		(25,927)		(17,427)
<b>Deferred Tax Liability</b>		<b>(25,927)</b>		<b>(17,427)</b>
<b>Total Deferred Tax provision at 28 February</b>		<b>2,135,191</b>		<b>2,185,682</b>

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

	2019	2018
	£	£
Timing differences on capital allowances	81,976	115,565
Tax losses not utilised	1,184,583	1,177,888
	<b>1,266,559</b>	<b>1,293,453</b>

### 21 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 2019

### 22 Financial Instruments

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

	2019		2018	
	Group £	Association £	Group £	Association £
Equity investments:				
Investments in subsidiary undertakings	-	100,000	-	100,000
Investment in associate	-	6,923,580	-	7,221,737
Investment in joint venture entity	-	-	-	-
	-	7,023,580	-	7,321,737

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:

	2019		2018	
	Group £	Association £	Group £	Association £
Trade debtors	786,801	29,434	738,503	57,303
Amounts owed by subsidiary undertakings	-	2,198,996	-	1,582,632
Amounts owed by associated undertakings	77,711	9,188	45,879	6,110
Amounts owed by related undertakings	354,747	-	246,100	15,080
	1,219,259	2,237,618	1,030,482	1,661,125

Financial liabilities that are debt instruments measured at amortised costs:

	2019		2018	
	Group £	Association £	Group £	Association £
Trade creditors	933,923	107,702	728,741	96,683
Amounts owed to subsidiary undertakings	-	111,642	-	250,843
Amounts owed to associated undertakings	136,147	136,147	168,154	168,154
Amounts owed to related undertakings	789,663	-	919,554	-
	1,859,733	355,491	1,816,449	515,680



# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 23 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 2019 was 47 (2018 – 49).

The assets of the scheme, which amounted to £13.4m at 28 February 2019 (2018 – £12.0m), 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 2019. 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 2017 (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 £621,278 (2018 – £797,900). The Group expects to contribute £879,146 to the scheme during the year to 28 February 2020 (2018 - £621,591).

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:

	2019 £'000	2018 £'000
Present value of funded obligation	(24,972)	(25,220)
Fair value of plan assets	13,389	12,990
Net liability	<u>(11,583)</u>	<u>(12,230)</u>

Analysis of amounts recognised in the Statement of Comprehensive Income:

	2019 £'000	2018 £'000
Net interest expense	<u>(322)</u>	<u>(348)</u>

**BUILDING ENGINEERING SERVICES ASSOCIATION**  
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**23 Pension Schemes (Continued)**

Analysis of amounts recognised in Other Comprehensive Income:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Return on plan asset (excluding amounts recognised as interest)	10	(488)
Actuarial changes	338	1,108
	<u>348</u>	<u>620</u>

Reconciliation of present value of plan liabilities:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
At 1 March	(25,220)	(26,253)
Interest cost	(673)	(700)
Benefits paid	583	625
Actuarial changes	338	1,108
At 28 February	<u>(24,972)</u>	<u>(25,220)</u>

Reconciliation of fair value of plan assets:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
At 1 March	12,990	12,953
Interest on assets	351	352
Return on plan asset (excluding amounts recognised as interest)	10	(488)
Employer contributions	621	798
Benefits paid	(583)	(625)
At 28 February	<u>13,389</u>	<u>12,990</u>

Composition of plan assets:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Diversified Growth Funds	10,561	-
Liability Driven Investment	2,355	-
Mobius Life	-	12,575
Annuities	101	101
Cash	372	314
	<u>13,389</u>	<u>12,990</u>

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**23 Pension Schemes (Continued)**

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

	2019	2018
Discount rates	2.70%	2.70%
Deferred pension revaluation	3.10%	3.10%
Future pension increases	3.10%	3.10%
Inflation assumption	3.00%	3.10%

Mortality assumptions – S2PMA LIGHT/S2PFA (light mortality of males only) used for the 2019 valuation (2018: S1NMA LIGHT/S2NFA) with CMI 2018 (2018: CMI 2017) projections and long-term rate of improvement of 1.25% (2018: 1%) per annum.

Tax free cash – 75% of members are assumed to take the maximum tax-free cash available in the 2019 valuation and 90% of members are assumed to take 25% in the 2018 valuation.

Proportion married – 80% married at retirement or earlier death in both the 2019 and 2018 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 2019 were £420,880 (2018 - £603,339). Contributions payable by subsidiary undertakings to the scheme for the year ended 28 February 2019 were £200,398 (2018 - £194,561). 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 £316,278 in the current year (2018 - £363,478). At 28 February 2019 there was £38,526 (2018 - £nil) outstanding

**24 Capital Commitments**

At 28 February 2019, capital commitments contracted for but not provided in the Group were £nil (2018 - £92,000) and in the Association £nil (2018 - £nil).

**25 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:

	2019 £	2018 £
Within one year	-	45,000
Between two to five years	-	75,000
	-	120,000

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 25 Operating Lease Commitments (Continued)

#### Group as Lessee

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

	2019		2018	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	7,415	44,544	13,690	47,611
Between two to five years	-	36,805	7,415	59,062
More than five years	-	323	-	-
	7,415	81,672	21,105	106,673

### 26 Additional Information on Subsidiary Undertakings

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

<sup>1</sup> The shareholdings are held through B&ESA Limited or its subsidiary companies.

<sup>2</sup> During the year, B&ESA Ltd paid a dividend to BESA of £1,000,000 (2018 - £500,000).

<sup>3</sup> Limited by guarantee

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

<sup>5</sup> Registered office – Old Mansion House, Eamont Bridge, Penrith, CA10 2BX

<sup>6</sup> 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 2019

### 27 Additional Information on Associated Undertakings and Joint Ventures

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

<sup>1</sup> 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.

# BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements  
For the year ended 28 February 2019

## 28 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:

<b>The Group</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Amounts included in turnover:		
Cash collected on behalf of the Group, unclaimed holiday pay credits and interest	1,046,646	892,449
Amounts included in administration expenses:		
Rent, rates and service charges	436,901	403,559
Amounts included in debtors	88,164	45,876
Amounts included in creditors	136,147	168,154

- 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
  - TICl Sickness and Accident Scheme
  - TICl 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

# BUILDING ENGINEERING SERVICES ASSOCIATION

## Notes to the Financial Statements For the year ended 28 February 2019

### 28 Related Party Transactions (Continued)

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

The Group	2019		2018	
	£	£	£	£
Amounts included in turnover:				
Administration fees	1,246,995		1,145,596	
Insurance premiums	1,044,483		1,413,868	
		<u>2,291,478</u>		<u>2,559,464</u>
Amounts included in cost of sales:				
Insurance claims		901,500		360,000
		<u>901,500</u>		<u>360,000</u>
Amounts included in debtors		<u>344,294</u>		<u>225,145</u>
Amounts included in creditors		<u>789,663</u>		<u>919,554</u>

A subsidiary of the Group also collected cash on behalf of schemes administered by their Trustee, Welplan Ltd, to the value of £2,621,224 (2018 - £2,351,920) for the year. The balance not yet transferred as at 28 February 2019 was £196,177 (2018 - £269,119) and is included within the creditor balance above.

- 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	2019	2018
	£	£
Amounts included in other income:		
Grant income	9,633	-
	<u>9,633</u>	<u>-</u>
Amounts included in debtors	<u>-</u>	<u>15,470</u>

- 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	2019		2018	
	£	£	£	£
Amounts included in turnover:				
Subscriptions		296,204		244,742
		<u>296,204</u>		<u>244,742</u>

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

### 29 Prior Year Adjustment

The adjustment related to a change in the treatment of the VAT status of an element of the sales from Exempt to Standard rated falling one of the subsidiaries. This adjustment amended the partial exemption recovery calculation and reduced the negative opening reserves at 1 March 2017 and increased other debtors by £46,652. There was also a further reduction of the loss in the year ended 28 February 2018 and increase of other debtors of £93,725.