

Form AR27

Trade Union and Labour Relations (Consolidation) Act 1992

Annual Return for an Employers' Association

Name of Employers' Association:	Building Engineering Services Association		
Year ended:	29 February 2020		
List No:	043/E		
Head or Main Office:	Rotherwick House		
	3 Thomas More St.		
	St. Katharine's & Wapping		
	London		
Postcode	E1W 1YZ		
Website address (if available)	www.thebesa.com		
Has the address changed during the year to which the return relates?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	('X' in appropriate box)
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 1093602

You should sent the annual return to the following address stating the name of the union in subject:

For Employers' Associations based in England and Wales: returns@certoffice.org

For Employers' Associations based in Scotland: ywm@tcyoung.co.uk

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Return of Members

(see note 9)

Number of members at the end of the year				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (Including Channel Islands)	Totals
1,048	36			1,084

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
President	Tim Hopkinson	John Norfok	04 July 2019
President Elect	Giuseppe Borgese	Neil Brackenridge	04 July 2019
Vice President	John Norfolk	Robert Fletcher	04 July 2019
Immediate Past President	Malcolm Thompson	Tim Hopkinson	04 July 2019

Revenue Account / General Fund

(see notes 11 to 16)

Previous Year			£	£
	Income			
3,892,566	From Members	Subscriptions, levies, etc	3,709,850	3,709,850
	Investment income	Interest and dividends (gross)		
18,340		Bank interest (gross)	44,551	44,551
		Other (specify)		
-280,563		Gain/(loss) from interest in associates	121,361	121,361
		Total Investment Income	165,912	165,912
3,630,343				
	Other Income	Rents received	46,411	46,411
24,375		Insurance commission	432,916	432,916
432,710		Consultancy fees		
		Publications/Seminars		
		Miscellaneous receipts (specify)		
1,286,180		Training Agency	1,182,188	1,182,188
5,661,496		Welfare and other services	6,399,654	6,399,654
9,633		Grant income	44,074	44,074
50,000		Gain arising on FV of Investment	20,000	20,000
7,464,394		Total of other income		8,125,243
11,094,737		Total income		12,001,005
		Interfund Transfers IN		
	Expenditure			
5,096,526	Administrative expenses	Remuneration and expenses of staff	5,241,521	5,241,521
556,491		Occupancy costs	544,937	544,937
492,110		Printing, Stationery, Post	484,319	484,319
		Telephones		
1,449,701		Legal and Professional fees	1,563,360	1,563,360
		Miscellaneous (specify)		
113,566		Publicity	91,345	91,345
722,759		College fees and grants payable	766,964	766,964
338,362		Travel and Motor expenses	428,485	428,485
99,020		Insurance Claims Paid	98,940	98,940
		Total of Admin expenses		9,219,871
8,868,535				
	Other Charges	Bank charges	30,385	30,385
26,868		Depreciation	255,490	255,490
366,081		Sums written off	56,426	56,426
34,401		Affiliation fees	162,157	162,157
173,566		Donations		
		Conference and meeting fees	232,520	232,520
217,072		Expenses	65,946	65,946
99,984		Miscellaneous (specify)		
		(Profit)/Loss on sale of Fixed Assets	26,428	26,428
29,014		Finance Cost	302,145	302,145
322,147		Actuarial (gain)/loss	2,398,145	2,398,145
-347,823		Pension Closure Costs	800,908	800,908
645,527		Total of other charges		4,330,550
1,566,837				
50,491		Taxation	-361,118	-361,118
		Total expenditure		13,189,303
10,485,863		Interfund Transfers OUT		
		Surplus/Deficit for year		-1,188,298
608,874		Amount of fund at beginning of year		1,634,528
1,025,654		Amount of fund at end of year		446,230
1,634,528				

Fixed Assets account

(see note 21)

	Land and Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total £
Cost or Valuation				
At start of period	1,131,576	110,025	593	1,242,194
Additions during period	60,887	211,675		272,562
Less: Disposals		-1,236		-1,236
Less: Depreciation	-19,338	-72,895	-593	-92,826
Total to end of period	1,173,125	247,569		1,420,694
Book Amount at end of period	1,173,125	247,569		1,420,694
Freehold	1,173,125			1,173,125
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
Total of Fixed Assets	1,173,125	247,569		1,420,694

Analysis of Investments

(see note 22)

Quoted		Other Funds
	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	Total Quoted (as Balance Sheet)	
	Market Value of Quoted Investments	
Unquoted	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted investments (to be specified)	
	Equity Accounted	
	Welfare Holdings (H&V) Ltd	67,011
	Esca Estates Limited – Interest in associate	6,850,860
	Total Unquoted (as Balance Sheet)	6,917,871
	Market Value of Unquoted Investments	

* 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 note 23)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?

Yes	X	No	
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If Yes name the relevant companies:

Company name	Company registration number (if not registered in England & Wales, state where registered)
B&ESA Limited	00852809

Incorporated Employers' Associations

Are the shares which are controlled by the association registered in the association's name

Yes		No	
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If NO, please state the names of the persons in whom the shares controlled by the association are registered.

Company name	Names of shareholders

Unincorporated Employers' Associations

Are the shares which are controlled by the association registered in the names of the association's trustees?

Yes		No	X
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If NO, state the names of the persons in whom the shares controlled by the association are registered.

Company name	Names of shareholders
B&ESA Limited	Alan Gregory
	Martin Coote

Summary Sheet

(see notes 24 to 33)

	All Funds	Total Funds
	£	£
Income		
From Members	3,709,850	3,709,850
From Investments	165,912	165,912
Other Income (including increases by revaluation of assets)	8,125,243	8,125,243
Total Income	12,001,005	12,001,005
Expenditure (including decreases by revaluation of assets)		
Total Expenditure	13,189,303	13,189,303
Funds at beginning of year (including reserves)	1,634,528	1,634,528
Funds at end of year (including reserves)	446,230	446,230
ASSETS		
Fixed Assets		1,420,694
Investment Assets		6,917,871
Other Assets		11,310,080
Total Assets		19,648,645
Liabilities		
Total Liabilities		19,202,416
Net Assets (Total Assets less Total Liabilities)		446,230

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

Accounting policies

(see notes 35 & 36)



Refer to attached financial statements

Signatures to the annual return

(see notes 37 and 38)

Including the accounts and balance sheet contained in the return.

Please copy and paste your electronic signature here

Secretary's Signature:		Chairman's Signature:	
			(or other official whose position should be stated)
Name:	Mark Oakes	Name:	David Frise
Date:	08 December 2020	Date:	08 December 2020

Checklist

(see note 39)

(please enter 'X' as appropriate)

Is the return of officers attached? (see Page 2)	Yes	X	No	
Has the list of officers been completed? (see Page 2A)	Yes	X	No	
Has the return been signed? (see Note 37)	Yes	X	No	
Has the auditor's report been completed? (see Note 41)	Yes	X	No	
Is the rule book enclosed? (see Note 39)	Yes	X	No	
Has the summary sheet been completed? (see Notes 6 and 24 to 33)	Yes	X	No	

Checklist for auditor's report

(see notes 41 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)

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.

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:

Qualified Opinion

We have audited the financial statements of BESA Engineering Services Association (the 'Association') and its subsidiaries (the 'Group') for the year ended 29 February 2020 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 Change 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report (Please see attached accounts), the financial statements:

- give a true and fair view of the state of the Association and Group's affairs as at 29 February 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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:


Charlene Lancaster (Dec 9, 2020 15:21 GMT)

Name(s):

Mrs C Lancaster

Profession(s) or Calling(s):

Chartered Accountants and Statutory Auditor

Address(es)

One St Peters Square
Manchester
M2 3DE

Date:

Dec 9, 2020

Contact name for enquiries and telephone number:

01612389288

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 29 February 2020

BUILDING ENGINEERING SERVICES ASSOCIATION

Annual Report and Financial Statements

For the year ended 29 February 2020

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COUNCIL AND BOARD MEMBERS AND AUDITOR

Members of the Council who have served during the year

J Norfolk – Imtech Engineering Services (**President**)
A Blunsdon – Priddy Engineering
B Boyd – Measham Heating & Air Conditioning Ltd
N Brackenridge – SES (Engineering Services) Ltd
J Canning – NBC (Air Conditioning) Ltd
M Coote – Gatwick Park Mechanical Services Ltd
P Curtis – Briggs & Forrester
C Curran – Linaker
R Fletcher – Fife Council
A Gregory – IAQ Consultancy Services Ltd
T Hopkinson – E Poppleton & Son Ltd
A Hudson – G&H Sustainability
S Hudson – Derry Building Services
A Hurley – FP Hurley & Sons Ltd
N James – Arnold James
J Kilgannon – TRS Ltd
K Knapp – Ecolution Renewables (CEL-F Solar Systems Ltd)
C McGlen – Robert Kirkland (Blyth) Ltd
R Melendez – Imtech Engineering Services
R Merritt – AC Solutions
D Monaghan – Stothers Building Engineering Services
D Norton – Norton Mechanical
W Pitt – NG Bailey
A Shepherd – E&S Heating & Ventilation Ltd
A Sims – Vent-Tech Ltd
S Surridge – 24Seven Companies Ltd
P Williams – Exyte Hargreaves

Members of the Board who have served during the year

J Norfolk (**President**)
N Brackenridge
R Fletcher
T Hopkinson
N James
C Curran
D Norton
D Frise (**Chief Executive**)
S Hardy (**Finance Director**)

Independent Auditor

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

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 29 February 2020

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 29 February 2020.

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. BESA operates on a Group basis through a number of subsidiary and related undertakings delivering a range of complementary services including 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 also, to the extent practicable, with relevant accounting provisions of the Companies Act 2006.

Review of the Business of the Group

The Board is pleased to report an increase of 4.2% in Group turnover to £11,771,018 largely as a result of continued growth and expansion of the SFG20 business. The surplus from trading activities before taxation increased significantly to £848,729 versus £311,542 in 2019. This improved trading performance is partially offset by a provision for the one-off closure costs relating to Welplan Pensions.

In March 2019, Welplan Ltd which is a Group subsidiary, made the difficult decision to exit the pensions master trust market. The decision was 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 closure of Welplan Pensions is anticipated to be completed by January 2021. Welplan will now concentrate on expanding its core, long-established welfare benefits business, which is otherwise unaffected by the pensions closure decision.

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 negative movement of £1,511,430 to £11,125,320 for 2019/20. 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.

Covid-19

The Covid-19 pandemic has brought unprecedented challenges to BESA, its membership, the industry and the wider economy.

The Group has a well-developed annual business planning process which is aligned to our strategic objectives. This financial review considers not only the Group but also on the sector which it represents.

Following the outbreak of Covid-19, the key business risks were identified and scenario and cashflow analysis and reverse stress testing undertaken to assess the resilience of the underlying operating model and support the development of the Group's response to the pandemic. As part of this process the working capital requirements, cashflow and borrowing and/or other funding options available were reviewed.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 29 February 2020

Covid-19 (Continued)

The key risks incorporated into the stress testing included:

- Delays of up to 6 months in the collection of membership subscriptions;
- Losses of up to 15% of membership subscription revenue;
- Cancellation of Group events for the year, including the BESA National Conference;
- Reductions of up to 50% of other Group income for a period of 6 months;

The Group has also implemented the Coronavirus Job Retention Scheme and taken advantage of the HMRC VAT deferral option to support cashflow. Although we do not currently anticipate the requirement for third party assistance we are aware of other potential financial options, including the Coronavirus Business Interruption Loan Scheme, should further funding be required.

Whilst the impacts arising from Covid-19 are of an unprecedented scale, the Group's activities and business model are resilient to the major risks that were identified. This resilience has been increased by a range of proactive measures both to control costs but also to adapt and develop the way in which member services and support is offered which are explained further below. As a result, the application of all of these parameters to the Group's financial model, indicates that the Group is still able to maintain a cash balance in excess of £1 million throughout the financial year. Furthermore, the Group is well placed not only to withstand the combined impacts noted above but a more prolonged period of exposure associated with either a slower or 'W' shaped recovery.

Action taken and market opportunities

Throughout the pandemic we have remained in close contact with our members and customers to promote the benefits of the products and services offered by the BESA Group. As a result of previous investment in our IT systems we were able to very quickly establish new ways of operating and interacting with our members to ensure that we provide relevant, valuable and timely information to assist them through the pandemic. We have prioritised the well-being of our employees and have implemented home-working for all staff across the Group.

To date, BESA's response to the crisis has helped to develop significant brand capital and we intend to capitalise on this increased awareness over the coming months.

The Association is fundamentally driven by the ability to communicate to and on behalf of our members. During the crisis we have successfully harnessed the potential from new forms of media such as Webinars, Podcasts, Social Media and Digital Media to not only maintain but enhance the amount of content and support delivered to our members. For example, we have conducted a series of daily Covid-19 Webinars which have seen over 15,000 registrants throughout the crisis. We expect to further develop and improve our use of such media including the introduction of a digital events calendar for the year including a virtual conference in November.

Our ability to support our members in demonstrating technical excellence is a core purpose and benefit for our members. The success in developing new ways to deliver this support will allow the Association to capitalise on large scale industry changes such as the recommendations that arise from the Hackitt review and the Government's industry recovery plan.

With a more focussed approach to growing our affiliate network, individual member network and association with consultants and academics working in, or on behalf of, the industry and the development of the specifiers market, we will be well positioned to support both member retention and growth.

Whilst the pandemic has made it challenging to drive new sales in SFG20, the focus successfully shifted to concentrate on renewals and retention resulting in 2020/21 Q1 and Q2 income remaining on budget. This means that the major potential for SFG20 arising from untapped domestic markets, a proactive approach in international markets (in which we are already experiencing an encouraging response) and large scale enterprise agreements that include consultancy services remain primed to offer a rapid return to growth once economic conditions begin to normalise.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 29 February 2020

Covid-19 (Continued)

The Board also remains confident about the prospects to see further growth in the employee benefits business. A significant investment is currently in progress to develop a new system which will allow for further penetration both through our existing customer base and from new business.

Outcomes

The Board are pleased with the way in which BESA has responded, both in terms of proactive support for the industry, which has reinforced the value of BESA membership, and also the swift and decisive measures taken to protect the people within the business and maintain financial strength.

The initial outcomes in terms of the key risks and financial resilience of the business have been very encouraging and well below the levels reflected in the initial stress testing. Critically, member subscription revenue remains on budget and our overall cash position has remained comfortably above the £1m threshold even when the short term VAT deferral benefit is unwound.

Proactive steps to conserve cash, utilise the government support schemes available, and ensure that BESA's strategic plans are not unduly affected have all been successfully implemented. As a consequence, these actions have placed BESA in a strong position to withstand the immediate impact of the crisis while we continue to provide valuable and sustainable services to our members to help them respond to the crisis themselves.

New ways of operating with a greater digital focus have been quickly established and these will remain part of our operating model into the future. Whilst the short term outlook remains uncertain, we are confident that the measures we have taken to mitigate the immediate impacts on BESA and its membership will allow us to emerge stronger as the market outlook settles.

One of the few benefits of the crisis has been to highlight the potential to invest further in technology to drive efficiency to allow the business to become leaner and more agile by utilising digital technology and automating of systems and processes. Reduced travel and a shift to virtual meetings have proved very successful and not adversely impacted on productivity or value to date.

Events after the end of the Reporting Period

As noted in the Report of the Board above and in the notes of the Financial Statements, Covid-19 will impact on business globally and the BESA Group will be no exception.

Following the year end there has been two significant events with regards to the closure of Welplan Pensions. From 31 May 2020 the Scheme ceased receiving contributions from active members and in November 2020 the bulk transfer of pension investments to the default receiving Scheme was completed. It is anticipated that Welplan Pensions will be fully wound up by the end of January 2021.

BESA continues to monitor the developing situation and regularly assess the impacts of the pandemic on the Group.

Investment in Associate

The Board has given careful consideration to the investment in Esca Estates Ltd and in turn the underlying value to the property, Rotherwick House, which is its core asset. Rotherwick House is occupied by the two shareholders of Esca Estates Ltd. The Board consider that the accounting treatment and valuation set out in note 14 to the accounts remains reasonable and appropriate.

Principal Risks and Uncertainties

The principal business risks affecting the Group are:

- Financial
- Brexit
- Covid-19

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Board

For the year ended 29 February 2020

Principal Risks and Uncertainties (Continued)

Financial

The Board has identified two key financial risks. Firstly, in common with any member organisation, is 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 arising from the recessionary impacts of Covid-19 on the wider economy. Secondly, there is a risk 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 a position where they generate sufficient net income to support the costs, net of member subscriptions, incurred by the Association.

Brexit

Brexit remains one of the most significant economic events for the UK, and there is a high degree of uncertainty both in terms of the outcomes from the transition process and their impact on UK business and the economy.

Covid-19

The Covid-19 pandemic has brought unprecedented challenges to businesses globally and clearly the full impact of the pandemic is not yet known. The implications for the Group are set out above and the Board continues to monitor the situation as it develops to ensure that we remain focussed on our key priorities of the protection and wellbeing of employees, cash preservation and the continued provision of support and guidance to our members.

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 £230,801 (2019 - £nil) and externally acquired intellectual property of £15,225 (2019 - £112,062).

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 29 February 2020

Statement of Council Responsibilities (Continued)

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**



**N Brackenridge
Chairman**

Date: 4 December 2020

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Independent Auditor

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

Qualified Opinion

We have audited the financial statements of BESA Engineering Services Association (the 'Association') and its subsidiaries (the 'Group') for the year ended 29 February 2020 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 Change 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the Association and Group's affairs as at 29 February 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

Basis for Qualified Opinion - Group

Included within fixed asset investments on the Consolidated Balance Sheet is an investment in an associate, accounted for under the equity method of accounting, with a closing balance as at 29 February 2020 of £6,850,860. The associate holds an investment property, which is leased (in part) to the Association, which is periodically revalued by an independent valuer. The basis of valuation adopted by the independent valuer was the Income Approach. As part of our audit procedures we engaged an auditor's expert to review and challenge the assumptions underpinning the investment property valuation. In our opinion the fair value of the investment property is overstated through: the application of a headline rent without adjustment for tenant incentives; the application of an identical rental rate across all floors rather than applying a discount over lower floors and mezzanine; and a net yield that appears too low when compared to comparable offices in the same location. The top end range estimated by our auditor's expert results in an overstatement of the investment property by £3,900,000, there is no impact on deferred tax. A 43% share of the associate is held by the group, accordingly, fixed asset investments should be reduced by £1,700,000 and the surplus for the year and accumulated funds reduced by the same amount.

Basis for Qualified Opinion – Parent Company

Included within investments in associate undertakings on the Association Balance Sheet is an investment in an associate, held at fair value, with a closing balance as at 29 February 2020 of £6,850,860. The fair value of the associate is determined based on the net assets of the associate, which is driven by the fair value of the investment property held by the associate. Accordingly, based on the information outlined in the preceding paragraph, it is our opinion that the investment in associate undertakings is overstated by £1,700,000. Accordingly, investment in an associate in the Association's Balance Sheet should be reduced by £1,700,000 and the surplus for the year and accumulated funds reduced by the same amount.

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 Association 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the Association's financial statements, we draw your attention to the board's view on the impact of the COVID-19 disclosed on pages 2 to 4, and the consideration of the going concern basis of preparation on page 17 and non-adjusting post balance sheet events on page 40.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Independent Auditor

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

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.

Other information

The board members 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, except to the extent otherwise explicitly stated in our report, 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.

As described in the Basis for Qualified Opinion sections of our report, our audit opinion is qualified in respect of the value of investment property held by an associate. We have concluded that where the other information refers to the carrying value of the associate or related matters such as surplus for the year and accumulated funds, it may be materially misstated for the same reason.

Responsibilities of the Board

As explained more fully in the board members' responsibilities statement set out on pages 5 and 6, 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 is 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 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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Report of the Independent Auditor

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.

Mazars LLP

Mazars LLP (Dec 7, 2020 17:55 GMT)

Mazars LLP

One St Peter's Square
Manchester
M2 3DE
Date: 7 December 2020

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Statement of Comprehensive Income

For the year ended 29 February 2020

	Note	2020 £	2019 £
Turnover	2	11,771,018	11,297,327
Cost of sales		(4,192,391)	(4,095,576)
Gross surplus		7,578,627	7,201,751
Administrative expenses		(5,830,073)	(5,690,932)
Operating surplus	5	1,748,554	1,510,819
Gain arising on fair value of investment property	13	20,000	50,000
Grant income		44,074	9,633
Profit / (loss) from interests in associated undertakings	6	121,361	(280,563)
Loss on disposal of fixed assets		(26,758)	(29,013)
Other interest receivable and similar income	7	44,551	18,340
Interest payable and similar charges	8	(302,145)	(322,147)
Pension closure costs	9	(800,908)	(645,527)
Surplus on ordinary activities before taxation		848,729	311,542
Tax (charge) / credit on surplus on ordinary activities	10	(46,567)	8,639
Surplus on ordinary activities after taxation		802,162	320,181
Other comprehensive income			
Re-measurement in respect of the defined benefit scheme	23	(2,398,145)	347,823
Movements in related deferred tax provision	20	407,685	(59,130)
Total other comprehensive income		(1,990,460)	288,693
Total comprehensive income for the year		(1,188,298)	608,874

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION
Consolidated Balance Sheet as at 29 February 2020

	Note	2020		2019	
		£	£	£	£
Assets					
Fixed Assets					
Intangible assets	11		535,894		478,054
Tangible assets	12		1,420,694		1,242,194
Investment property	13		895,943		875,943
Fixed asset investments	14		6,917,871		6,979,185
			9,770,402		9,575,376
Current Assets					
Debtors: amounts falling due within one year	15	2,037,612		3,028,522	
Debtors: amounts falling due after more than one year	16	2,525,636		2,161,118	
Cash at bank and in hand	17	5,314,995		3,825,094	
			9,878,243		9,014,734
Total assets			19,648,645		18,590,110
Liabilities and equity					
Reserves					
Accumulated funds	21	77,743		1,266,041	
Statutory reserves	21	368,487		368,487	
			446,230		1,634,528
Provisions for liabilities					
Pension scheme liability	23	13,404,000		11,583,000	
Deferred taxation	20	29,327		25,927	
			13,433,327		11,608,927
Current liabilities					
Creditors: amounts falling due within one year	18	5,754,088		5,346,655	
Creditors: amounts falling due after more than one year	19	15,000		-	
			5,769,088		5,346,655
Total liabilities and equity			19,648,645		18,590,110

These financial statements were approved and authorised for issue by the Board on behalf of the Council of the Building Engineering Services Association on 4 December 2020.



N Brackenridge
Chairman of the Board



D Frise
Chief Executive

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Statement of Changes in Reserves

For the year ended 29 February 2020

	Note	Accumulated Funds £	Statutory Reserves £	Total £
At 1 March 2018		657,167	368,487	1,025,654
Deficit on ordinary activities		320,181	-	320,181
Other comprehensive income		288,693	-	288,693
Total comprehensive income		608,874	-	608,874
At 28 February 2019		1,266,041	368,487	1,634,528
Surplus on ordinary activities		802,162	-	802,162
Other comprehensive income		(1,990,460)	-	(1,990,460)
Total comprehensive income		(1,188,298)	-	(1,188,298)
At 29 February 2020		77,743	368,487	446,230

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Association Statement of Comprehensive Income

For the year ended 29 February 2020

	Note	2020 £	2019 £
Turnover	2	3,809,850	3,992,566
Cost of sales		(2,185,064)	(2,202,853)
Gross surplus		1,624,786	1,789,713
Administrative expenses		(1,847,206)	(1,724,523)
Other operating income		250,483	210,031
Operating surplus		28,063	275,221
Dividends from subsidiary undertaking	25	1,000,000	1,000,000
Dividends from associated undertaking	14	180,000	-
Fair value adjustment on investments in associated undertaking	14	(72,720)	(298,157)
Interest receivable		1,972	-
Interest payable and similar charges	23	(302,000)	(322,000)
Surplus on ordinary activities before taxation		835,315	655,064
Tax credit on surplus on ordinary activities	10	68,563	131,159
Surplus on ordinary activities after taxation		903,878	786,223
Other comprehensive income			
Re-measurement in respect of the defined benefit scheme	23	(2,398,145)	347,823
Movements in related deferred tax provision	20	407,685	(59,130)
Total other comprehensive income		(1,990,460)	288,693
Total comprehensive income for the year		(1,086,582)	1,074,916

Association Statement of Changes in Reserves

For the year ended 29 February 2020

	2020 £	2019 £
At 1 March	(491,969)	(1,566,885)
Surplus on ordinary activities	903,878	786,223
Other comprehensive income	(1,990,460)	288,693
Total comprehensive income	(1,086,582)	1,074,916
At 28/29 February	(1,578,551)	(491,969)

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION
Association Balance Sheet as at 29 February 2020

	Note	2020		2019	
		£	£	£	£
Assets					
Fixed Assets					
Tangible assets	12		-		93,751
Investments in subsidiary undertakings	14		100,000		100,000
Investments in associate undertakings	14		6,850,860		6,923,580
			<u>6,950,860</u>		<u>7,117,331</u>
Current Assets					
Debtors: amounts falling due within one year	15	3,365,497		2,998,881	
Debtors: amounts falling due after more than one year	16	2,278,680		1,969,110	
Cash at bank and in hand	17	1,250		2,435	
			<u>5,645,427</u>	<u>4,970,426</u>	
Total assets			<u>12,596,287</u>	<u>12,087,757</u>	
Liabilities and equity					
Reserves					
Accumulated funds	21		(1,578,551)		(491,969)
Provisions for liabilities					
Pension scheme liability	23		13,404,000		11,583,000
Current liabilities					
Creditors: amounts falling due within one year	18		770,838		996,726
Total liabilities and equity			<u>12,596,287</u>	<u>12,087,757</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 4 December 2020.



N Brackenridge
Chairman of the Board



D Frise
Chief Executive

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Consolidated Cash Flow Statement

For the year ended 29 February 2020

	Note	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Surplus on ordinary activities before taxation		848,729		311,542	
Adjustments for:					
Depreciation of tangible fixed assets	12	92,826		97,723	
Amortisation of intangible fixed assets	11	162,665		763,220	
Fair value gain on investment property	13	(20,000)		(50,000)	
Income from investment in associates		(121,361)		280,563	
Cash outflow from pension contributions		(879,146)		(621,277)	
Loss on disposal of fixed assets		26,758		29,013	
Operating cash flow before movement in working capital		110,471		810,784	
Decrease / (increase) in debtors	15	990,910		(455,269)	
Increase in creditors	18 19	420,245		553,430	
Interest received		(44,551)		(18,340)	
Interest payable		302,145		322,147	
Taxation received		2,675		3,343	
Net cash inflow from operating activities			1,781,895		1,216,095
Cash flows from investing activities					
Payments to acquire tangible assets		(272,562)		(100,280)	
Payments to acquire intangible assets		(246,026)		(112,062)	
Dividends received from associates		180,000		-	
Proceeds from sale of investments		-		500	
Net cash outflow from investing activities			(338,588)		(211,842)
Cash flows from financing activities					
Interest received		44,551		18,340	
Interest paid		(145)		(147)	
Net cash inflow from financing activities			44,406		18,193
Net increase in cash and cash equivalents			1,487,713		1,022,446
Cash and cash equivalents at the start of the year			3,825,094		2,802,648
Cash and cash equivalents at the end of the year			5,312,807		3,825,094
Cash and cash equivalents consists of:					
Cash at bank and in hand	17		5,314,995		3,825,094
Bank overdrafts included within creditors	18		(2,188)		-
Total cash and cash equivalents			5,312,807		3,825,094

The notes on pages 16 to 40 form part of these financial statements.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

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

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.

The Association has taken advantage of the exemption permitted by FRS 102 to dispense with the presentation of a Statement of Cash Flows on the grounds that the Cash Flow statement prepared for the Group headed by the Association, and included within these financial statements, include the cash flows of the Association.

1.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Association and its subsidiary undertakings for the year ended 29 February 2020. Undertakings are regarded as subsidiaries where the Association has control over them and has the power to govern their financial and operating policies so as to obtain benefit from their activities. The results of subsidiaries are included from the date of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The accounting years of all subsidiaries are co-terminous with those of the Association. Details of the subsidiaries are provided in Note 25.

1.4 Non-consolidation of Related Charitable Company

The Group is the sole member of Engineering Services Training Trust Limited, an incorporated charity, and has the right to appoint and remove all Trustees to the board. In accordance with FRS 102, a control relationship exists due to the power to appoint or remove the majority of board members, however the Trust must operate within its charitable objectives and on winding up, the Group has no right to obtain the benefit of the activities 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 29 February 2020

1.5 Going Concern

The financial statements have been prepared using the going concern basis. The report of the Board sets out our position in relation to Covid-19 (see page 2).

All reasonable scenarios have been carefully considered for a period of at least 12 months from the approval of these financial statements and in doing so the Board are confident that, even in the worst case scenario with the measures already implemented, the Group has sufficient cash to meet its liabilities and manage the impact of the pandemic.

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 29 February 2020

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 29 February 2020

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 29 February 2020

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 29 February 2020

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.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

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 value of the investment in associate is also driven by the valuation of investment property held by the associate. The Group engaged independent valuation specialists to determine fair value at 29 February 2020. 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.
- *Deferred tax asset*
The directors exercise judgement in determining whether, and to what extent, a deferred tax asset should be recognised for tax losses and timing differences based upon the assessment of likely recoverability of the asset. The deferred tax asset is recognised on the basis of recoverability of tax losses over a four year period using the company's latest financial projections. Due to the length of time there can be a significant amount of economic uncertainty on the figures used.

2 Turnover

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

	2020 £	2019 £
Subscriptions	3,709,850	3,892,567
Welfare and other services	2,386,246	2,254,229
Training	1,182,188	1,286,180
Insurance	432,916	432,710
Letting of property	46,411	24,375
Registration	1,013,238	982,295
Subscriptions to online literature	2,808,406	2,202,730
Sale of technical literature	66,885	93,738
Other income	124,878	128,503
	<u>11,771,018</u>	<u>11,297,327</u>

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

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

2 Turnover (continued)

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

	2020 £	2019 £
Subscriptions and affiliations	3,566,519	3,623,325
Events	108,894	50,474
Other income	134,437	318,767
	<u>3,809,850</u>	<u>3,992,566</u>

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

3 Employee Numbers

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

	2020	2019
The Association	48	44
Building Engineering Services Training Limited	11	11
Welplan Limited	55	54
	<u>114</u>	<u>109</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 £326,667 (2019 - £393,191).

5 Operating Profit

The Group operating surplus is stated after charging:

	2020 £	2019 £
Turnover received from government bodies	(998,851)	(1,190,151)
Rentals under operating leases		
• Land and buildings	13,690	13,690
• Other operating leases	49,164	31,143
Depreciation of tangible fixed assets	92,826	97,723
Amortisation of intangible fixed assets	162,665	273,479
Loss on disposal of fixed assets	26,758	13,411
Auditors remuneration		
• Audit services	88,167	75,232
• Tax compliance services	11,697	9,302
Fees paid to other auditors for subsidiary undertakings	21,852	10,500
	<u></u>	<u></u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 29 February 2020

6 Income from Interests in Associated Undertakings

	2020 £	2019 £
Group		
Share of profits before taxation of Welfare Holdings Ltd	14,081	17,594
Share of profit/(loss) after taxation of Esca Estates Ltd	107,280	(298,157)
	<u>121,361</u>	<u>(280,563)</u>

7 Other Interest Receivable and Similar Income

	2020 £	2019 £
Group		
Bank interest	44,551	18,340
	<u>44,551</u>	<u>18,340</u>

8 Interest Payable and similar charges

	2020 £	2019 £
Group		
Net interest on Defined benefit pension scheme	302,000	322,000
Bank interest	145	147
	<u>302,145</u>	<u>322,147</u>

9 Pension Closure Costs

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

	2020 Group £	2019 Group £
Legal fees	389,090	17,644
Financial fees	36,840	-
Investment advice	32,099	-
Trustee costs	63,691	-
Salary related costs	308,449	90,249
Fixed asset impairment	-	489,741
Software termination fee	(47,893)	47,893
Meeting and travel costs	18,632	-
	<u>800,908</u>	<u>645,527</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

10 Tax on deficit / surplus on Ordinary Activities before Taxation

	2020 Group £	2020 Association £	2019 Group £	2019 Association £
a) Analysis of charge in period				
Current Tax				
Group Relief	-	(166,678)	-	(182,036)
Total current corporation tax	-	(166,678)	-	(182,036)
Deferred Tax				
Adjustment for taxation of property fair value surplus	3,400	-	8,500	-
Adjustment for un-utilised tax losses	(54,948)	-	(68,016)	-
Adjustment for pension liability movement through ordinary activities	98,115	98,115	50,877	50,877
Taxation charge / (credit) on deficit on ordinary activities	46,567	(68,563)	(8,639)	(131,159)
b) Reconciliation of factors affecting tax charge for year				
Surplus on ordinary activities before taxation	848,729	835,315	311,542	655,064
Surplus on ordinary activities by standard rate of corporation tax in the UK 19.00% (2019: 19.00%)	161,259	158,710	59,193	124,462
Effect of:				
Non-taxable income	(82,331)	(224,200)	(46,539)	(190,000)
Non-allowable expenditure	6,322	9,879	(52,601)	(52,074)
Adjustment for deferred tax	108,890	98,115	49,628	50,877
Prior year adjustment	-	-	(92,554)	(119,226)
Group Relief	-	166,678	-	182,036
Payment for Group Relief	-	(166,678)	-	(182,036)
Fixed asset differences	(60,850)	(4,648)	54,613	54,802
Prior year losses utilised	(98,447)	(98,447)	-	-
Deferred tax not recognised	34,145	14,449	19,621	-
Other movements	(22,420)	(22,420)	-	-
Taxation charge / (credit) on surplus on ordinary activities	46,567	(68,563)	(8,639)	(131,159)

Un-utilised tax losses for the Group at 29 February 2020 amounted to £6,575,402 (2019: £6,968,135).

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.

Post year end, a change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred tax assets and liabilities have not been restated to reflect this change as the announcement constitutes a non-adjusting post balance sheet event. The announcement results in a £297,134 increase to the deferred tax asset and a £3,450 increase to the deferred tax liability on the values disclosed in note 20.

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

11 Intangible Fixed Assets

The Group	Goodwill	Develop- ment Costs	Other	Total £
Cost				
At 1 March 2019	50,000	2,004,234	8,400	2,062,634
Additions	-	246,026	-	246,026
Disposals	-	(53,934)	-	(53,934)
At 29 February 2020	50,000	2,196,326	8,400	2,254,726
Amortisation				
At 1 March 2019	50,000	1,527,755	6,825	1,584,580
Charge for the year	-	161,090	1,575	162,665
Disposals	-	(28,413)	-	(28,413)
At 29 February 2020	50,000	1,660,432	8,400	1,718,832
Carrying amounts				
At 29 February 2020	-	535,894	-	535,894
At 28 February 2019	-	476,479	1,575	478,054

Development costs are internally generated software development costs of £230,801 (2019 - £ nil) and externally acquired to the Group of £15,225 (2019 - £112,062). The amortisation charge for the year is included in the Statement of Comprehensive Income under the heading of Administrative Expenses and pension closure costs.

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Notes to the Financial Statements For the year ended 29 February 2020

12 Tangible Fixed Assets

The Group	Freehold Property	Motor Vehicles	Equipment, Furniture & Fittings	Total £
Cost				
At 1 March 2019	1,335,228	41,330	428,028	1,804,586
Additions	60,887	-	211,675	272,562
Disposals	-	(29,466)	(254,880)	(284,346)
At 29 February 2020	1,396,115	11,864	384,823	1,792,802
Depreciation				
At 1 March 2019	203,652	40,737	318,003	562,392
Charge for year	19,338	593	72,895	92,826
Disposals	-	(29,466)	(253,644)	(283,110)
At 29 February 2020	222,990	11,864	137,254	372,108
Carrying amounts				
At 29 February 2020	1,173,125	-	247,569	1,420,694
At 28 February 2019	1,131,576	593	110,025	1,242,194

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

The Association	Equipment, Furniture & Fittings	Total £
Cost		
At 1 March 2019	344,638	344,638
Additions	-	-
Disposals	(344,638)	(344,638)
At 29 February 2020	-	-
Depreciation		
At 1 March 2019	250,887	250,887
Charge for year	455	455
Disposals	(251,342)	(251,342)
At 29 February 2020	-	-
Carrying amounts		
At 29 February 2020	-	-
At 28 February 2019	93,751	93,751

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

13 Investment Property

The Group	2020 £	2019 £
Fair value at 1 March	875,943	825,943
Fair value gains recognised in the Statement of Comprehensive Income	20,000	50,000
At 28/29 February	<u>895,943</u>	<u>875,943</u>

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

As at 29 February 2020, 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 £555,000 is held by a subsidiary. A formal valuation as at 29 February 2020 confirmed the value at that date to be £575,000. As a result, a gain of £20,000 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 4.7% and a yield in perpetuity rate of 8.28%.

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 29 February 2020 was assessed by the directors of the subsidiary as being equal to historical cost. A formal valuation as at 29 February 2020 confirmed the value at that date to be £320,000. As a result, no adjustment has been made to the balance sheet value.

14 Fixed Asset Investments

The Group	2020 £	2019 £
Interest in associated undertakings:		
As at 1 March	6,979,185	7,263,091
Share of profits / (losses) pre-tax	153,767	(278,292)
Share of tax	(35,081)	(5,614)
Less dividends received	(180,000)	-
As at 28/29 February	<u>6,917,871</u>	<u>6,979,185</u>

All above investments are unlisted.

The Association	2020		2019	
	Subsidiaries £	Associate £	Subsidiaries £	Associate £
Interest in subsidiary and associated undertakings:				
Cost / valuation at 1 March	100,000	6,923,580	100,000	7,221,737
Fair value adjustments to the Statement of Comprehensive Income	-	(72,720)	-	(298,157)
Cost / valuation at 28/29 February	<u>100,000</u>	<u>6,850,860</u>	<u>100,000</u>	<u>6,923,580</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

14 Fixed Asset Investments (continued)

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

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

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

The valuation of the minority interest in Esca Estate Ltd is based upon the value of the investment property, Rotherwick House. Rotherwick House is occupied under two leasehold interests to the respective Shareholders of Esca Estates Ltd under leasehold interests of 21 years, expiring in 2038. The lease provides for periodic, upwards only, rent reviews and accordingly the net income method has been adopted as the basis of the valuation of the property, based on the anticipated future income under the existing leasehold interest. Under the terms of the lease there are no tenant incentives and, although there is a rolling six month tenant only break clause, the Board consider the future rental income under the existing tenancies to be both secure and fairly reflect the reasonable long term market rental value.

All above investments are unlisted.

15 Debtors: amounts falling due within one year

	2020		2019	
	Group £	Association £	Group £	Association £
Trade debtors	752,774	31,130	786,801	29,434
Amounts owed by subsidiary undertakings	-	3,035,661	-	2,198,996
Amounts owed by associated undertakings	35,113	1,102	77,711	9,188
Amounts owed by related undertakings	231,853	-	354,747	-
Prepayments and accrued income	680,372	292,894	710,087	361,072
Other debtors	337,500	4,710	1,099,176	400,191
	<u>2,037,612</u>	<u>3,365,497</u>	<u>3,028,522</u>	<u>2,998,881</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 29 February 2020

16 Debtors: amounts falling due after more than one year

	2020		2019	
	Group £	Association £	Group £	Association £
Deferred tax asset (see note 20)	2,525,636	2,278,680	2,161,118	1,969,110
	<u>2,525,636</u>	<u>2,278,680</u>	<u>2,161,118</u>	<u>1,969,110</u>

17 Cash at bank and in hand

	2020		2019	
	Group £	Association £	Group £	Association £
Unrestricted cash funds	5,314,995	1,250	3,785,431	2,435
Holiday pay scheme funds	-	-	39,663	-
	<u>5,314,995</u>	<u>1,250</u>	<u>3,825,094</u>	<u>2,435</u>

Analysis of Net Funds

	At 1 March 2019	Cashflow	At 29 February 2020
	£	£	£
Cash at bank	3,825,094	1,489,901	5,314,995
Bank overdrafts	-	(2,188)	(2,188)
	<u>3,825,094</u>	<u>1,487,713</u>	<u>5,312,807</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

	2020		2019	
	Group £	Association £	Group £	Association £
Bank overdraft ¹	2,188	-	-	-
Trade creditors	647,177	111,187	933,923	107,702
Holiday pay scheme liability ²	-	-	39,663	-
Amounts owed to subsidiary undertakings	-	33,392	-	111,642
Amounts owed to associated undertakings	-	-	136,147	136,147
Amounts owed to related undertakings	786,138	-	789,663	-
Taxation and social security	496,917	156,813	459,376	175,405
Other creditors	305,917	1,157	238,322	1,464
Accruals and deferred income	3,515,751	468,289	2,749,561	464,366
	<u>5,754,088</u>	<u>770,838</u>	<u>5,346,655</u>	<u>996,726</u>

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

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

Amounts due to 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 29 February 2020

19 Creditors: amounts falling due after more than one year

	2020		2019	
	Group £	Association £	Group £	Association £
Other creditors	15,000	-	-	-
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

20 Deferred Tax

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

	2020		2019	
	£	£	£	£
Tax on defined benefit pension scheme provision:				
At 1 March	1,969,110		2,079,117	
Movement on items charged to Statement of Comprehensive Income	(98,115)		(50,877)	
Movement charged to Other Comprehensive Income:	407,685		(59,130)	
	<u> </u>		<u> </u>	
At 28/29 February (see note 16)		2,278,680		1,969,110
Tax on un-utilised tax losses:				
At 1 March	192,008		123,992	
Movement on items charged to Statement of Comprehensive Income	54,947		68,016	
	<u> </u>		<u> </u>	
At 28/29 February (see note 16)		246,955		192,008
Deferred Tax Asset		<u>2,525,635</u>		<u>2,161,118</u>
Tax on investment property fair value surplus:				
At 1 March	(25,927)		(17,427)	
Movement on items charged to Statement of Comprehensive Income	(3,400)		(8,500)	
	<u> </u>		<u> </u>	
At 28/29 February		(29,327)		(25,927)
Deferred Tax Liability		<u>(29,327)</u>		<u>(25,927)</u>
		<u> </u>		<u> </u>
Total Deferred Tax provision at 28/29 February		<u>2,496,308</u>		<u>2,135,191</u>

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

	2020 £	2019 £
Timing differences on capital allowances	70,860	81,976
Tax losses not utilised	1,121,647	1,184,583
	<u>1,192,507</u>	<u>1,266,559</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

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.

22 Financial Instruments

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

	2020		2019	
	Group £	Association £	Group £	Association £
Equity investments:				
Investments in subsidiary undertakings	-	100,000	-	100,000
Investment in associate	-	6,850,860	-	6,923,580
Investment in joint venture entity	-	-	-	-
	<u>-</u>	<u>6,950,860</u>	<u>-</u>	<u>7,023,580</u>

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:

	2020		2019	
	Group £	Association £	Group £	Association £
Trade debtors	752,774	31,130	786,801	29,434
Amounts owed by subsidiary undertakings	-	3,035,661	-	2,198,996
Amounts owed by associated undertakings	35,113	1,102	77,711	9,188
Amounts owed by related undertakings	231,853	-	354,747	-
	<u>1,019,740</u>	<u>3,067,893</u>	<u>1,219,259</u>	<u>2,237,618</u>

Financial liabilities that are debt instruments measured at amortised costs:

	2020		2019	
	Group £	Association £	Group £	Association £
Trade creditors	647,177	111,187	933,923	107,702
Amounts owed to subsidiary undertakings	-	33,392	-	111,642
Amounts owed to associated undertakings	-	-	136,147	136,147
Amounts owed to related undertakings	786,138	-	789,663	-
	<u>1,433,315</u>	<u>144,579</u>	<u>1,859,733</u>	<u>355,491</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

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 29 February 2020 was 50 (2019 – 48).

The assets of the scheme, which amounted to £15.1m at 29 February 2020 (2019 – £13.4m), are held in a separate trustee administered fund. The pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method.

The latest actuarial valuation was prepared as at 28 February 2018. Following closure to accrual, there are no continuing employer contributions for future service but the employers continue to be responsible for expenses and the levy payable in respect of the Pension Protection Fund. The next valuation is due at 28 February 2021.

In order to meet the deficit on past service, the Association and the Trustees of the Scheme agreed on a recovery plan under which the employers contribute £530,000 per annum with effect from 1 March 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 £879,145 (2019 – £621,278). The Group expects to contribute £596,520 to the scheme during the year to 28 February 2021 (2020 - £879,146).

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:

	2020 £'000	2019 £'000
Present value of funded obligation	(28,489)	(24,972)
Fair value of plan assets	15,085	13,389
Net liability	<u>(13,404)</u>	<u>(11,583)</u>

Analysis of amounts recognised in the Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Net interest expense	<u>(302)</u>	<u>(322)</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

23 Pension Schemes (Continued)

Analysis of amounts recognised in Other Comprehensive Income:

	2020 £'000	2019 £'000
Return on plan asset (excluding amounts recognised as interest)	1,167	10
Actuarial changes	(3,565)	338
	<u>(2,398)</u>	<u>348</u>

Reconciliation of present value of plan liabilities:

	2020 £'000	2019 £'000
At 1 March	(24,972)	(25,220)
Interest cost	(667)	(673)
Benefits paid	715	583
Actuarial changes	(3,565)	338
At 28/29 February	<u>(28,489)</u>	<u>(24,972)</u>

Reconciliation of fair value of plan assets:

	2020 £'000	2019 £'000
At 1 March	13,389	12,990
Interest on assets	365	351
Return on plan asset (excluding amounts recognised as interest)	1,167	10
Employer contributions	879	621
Benefits paid	(715)	(583)
At 28/29 February	<u>15,085</u>	<u>13,389</u>

Composition of plan assets:

	2020 £'000	2019 £'000
Diversified Growth Funds	11,982	10,561
Liability Driven Investment	2,778	2,355
Annuities	118	101
Cash	207	372
	<u>15,085</u>	<u>13,389</u>

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

23 Pension Schemes (Continued)

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

	2020	2019
Discount rates	1.70%	2.70%
Deferred pension revaluation	2.80%	3.10%
Future pension increases	2.70%	3.00%
Inflation assumption	2.80%	3.10%

Mortality assumptions – S2PMA L / S2PFA used for the 2020 valuation (2019: S2PMA LIGHT/S2PFA (light mortality of males only) with CMI 2018 (2019: CMI 2018) projections and long-term rate of improvement of 1.25% (2019: 1.25%) per annum.

Tax free cash – 75% of members are assumed to take the maximum tax-free cash available in the 2020 valuation and 75% of members are assumed to take the maximum tax-free cash available in the 2019 valuation.

Proportion married – 80% married at retirement or earlier death in both the 2020 and 2019 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 29 February 2020 were £672,736 (2019 - £420,880). Contributions payable by subsidiary undertakings to the scheme for the year ended 29 February 2020 were £206,409 (2019 - £200,398). 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 £336,139 in the current year (2019 - £316,278). At 29 February 2020 there were no amounts outstanding (2019 - £38,526).

24 Operating Lease Commitments

Group as Lessor

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

	2020 £	2019 £
Within one year	50,000	-
Between two to five years	200,000	-
After five years	201,667	-
	<hr/> 451,667	<hr/> -

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements For the year ended 29 February 2020

24 Operating Lease Commitments (Continued)

Group as Lessee

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

	2020		2019	
	Land and Buildings £	Other £	Land and Buildings £ Restated	Other £
Within one year	129,475	43,042	136,890	44,544
Between two to five years	-	114,747	-	36,805
More than five years	-	13,825	-	323
	<u>129,475</u>	<u>171,614</u>	<u>136,890</u>	<u>81,672</u>

The operating lease commitments for Land and buildings for the prior year have been restated. An operating lease for a rented property had been missed from the disclosure in a prior year resulting in an increase of the commitment within one year category for land and buildings of £129,475.

25 Additional Information on Subsidiary Undertakings

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

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

² During the year, B&ESA Ltd paid a dividend to BESA of £1,000,000 (2019 - £1,000,000).

³ Limited by guarantee

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

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

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

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Notes to the Financial Statements For the year ended 29 February 2020

26 Additional Information on Associated Undertakings and Joint Ventures

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

¹ Country of incorporation, registration and operation – England

(a) Credit Card Holidays Limited and subsidiary undertaking

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

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

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

(b) ESCA Estates Limited

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

BUILDING ENGINEERING SERVICES ASSOCIATION

Notes to the Financial Statements

For the year ended 29 February 2020

27 Related Party Transactions

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

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

The Group	2020	2019
	£	£
Amounts included in turnover: Administration income, unclaimed holiday pay credits and interest	866,803	1,046,646
Amounts included in administration expenses: Rent, rates and service charges	386,537	436,901
Amounts included in debtors	38,980	88,164
Amounts included in creditors	-	136,147

- 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 29 February 2020

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	2020		2019	
	£	£	£	£
Amounts included in turnover:				
Administration income	1,560,029		1,246,995	
Insurance premiums	1,505,927		1,044,483	
		<u>3,065,956</u>		<u>2,291,478</u>
Amounts included in cost of sales:				
Insurance claims		688,760		901,500
Amounts included in overheads		21,852		-
Amounts included in debtors		227,986		344,294
Amounts included in creditors		786,138		789,663

A subsidiary of the Group also collected cash on behalf of schemes administered by their Trustee, Welplan Ltd, to the value of £2,594,314 (2019 - £2,621,224) for the year. The balance not yet transferred as at 29 February 2020 was £163,492 (2019 - £196,177) 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. A summary of the aggregate transactions which have been undertaken by the Group is as follows:

The Group	2020	2019
	£	£
Amounts included in other income:		
Grant income	44,074	9,633

- 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	2020	2019
	£	£
Amounts included in turnover:		
Subscriptions	259,482	296,204

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

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For the year ended 29 February 2020

29 Post Balance Sheet Event

Covid-19 was declared a global pandemic subsequent to the year end and the UK wide lock down was announced on the 23 March 2020. The pandemic is considered a non-adjusting post balance sheet event (see the section of the Report of the Board beginning on page 2 relating to the impact of Covid-19).

Following the year end there has been two significant events with regards to the closure of Welplan Pensions. From 31 May 2020 the Scheme ceased receiving contributions from active members and in November 2020 the bulk transfer of pension investments to the default receiving Scheme was completed. It is anticipated that Welplan Pensions will be fully wound up by the end of January 2021.