

> safety first



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Almost 25% of home owners have
no idea how old their wiring is



making sure installat-
are safe an



We help UK consumers understand that
electrical safety should be a priority
in the home and the workplace

The Electrical Safety Council
Financial Statements 2006-07





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the electrical safety council and board members 2005-06

Board Members and Management

W J Howard †	Chartered Institution of Building Services Engineers (Chairman)
N Carter	Association for Consultancy and Engineering (appointed 29.06.06)
M Clancy	Prospect
S J Currie †	Scottish Power plc
D P Dossett †	BEAMA Installation Limited
D W M Latimer	Institution of Engineering & Technology
P Lawson-Smith OBE	Association for Consultancy and Engineering (resigned 29.06.06)
N McGuinness	SELECT
R Miguel	AMICUS (appointed 20.09.06)
D J Pollock	Electrical Contractors' Association
M Reed	AMICUS (resigned 29.06.06)
L Stratton	Royal Institute of British Architects
C J Tanswell	Society of Electrical and Mechanical Engineers Serving Local Government
B F Walker	Institution of Engineering & Technology
W H Wright	Institution of Engineering & Technology

† Officer Bearer and Remuneration Committee Member

Board Observer

M Leppard	Health & Safety Executive
J Speirs	Director General
J O'Connell	Company Secretary

Registered Company No. 570175 Registered Charity No. 257376

Group Executive Team

J Speirs	(Director General)
P Buckle	(Director Charitable Affairs)
M C Clark	(Technical Director)
T Pack	(Head of External Affairs)
E McCarthy	(Human Resource Director)
T J Nash	(MD Certification Services)
A D T Moir	(Head of Marketing & Sales)
P J Lawrence	(Head of Strategy)
J O'Connell	(Group Finance Director & Company Secretary)

Audit Panel

Is made up of three members comprising not less than two members of the ESB and one Executive Director

Finance Committee

W J Howard (Chairman)
S J Currie
D Dossett
J O'Connell
J Speirs

Technical Committee

C J Tanswell (Chairman)
J Bradley (Secretary)
M C Clark
D W M Latimer
P Lawson-Smith OBE (resigned 20.06.06)
J Speirs
B F Walker
W H Wright
D Start
G Digilio
D Millar
J Hodge (appointed 18.10.06)
G Cronshaw
A Wells

Standing Committee on Technical Matters

M C Clark (Chairman)
J Bradley (Secretary)
P Cook
P Cutting
A Daley
D W M Latimer
P Lawson-Smith OBE (resigned 29.06.06)
P Toothill (appointed 18.01.07)
G Cronshaw
M Onyett
P Sayer
J A McLean
C J Tanswell
D Start
A Wells

Bankers	HSBC, 20 Albert Embankment, London, SE1 7SY
Solicitors	Bristows, 3 Lincoln's Inn Fields, London, WC2 3BP
Auditors	PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London, EC1M 3AP
Registered Office	Warwick House, Houghton Hall Business Park, Houghton Regis, Dunstable, Bedfordshire. LU5 5ZX.

chairman's statement 2006/07

In this my last statement as Chairman of The Electrical Safety Council (ESC) I am pleased to report another successful year for ESC and for its trading subsidiary, NICEIC Group Ltd.

In the last year we have celebrated 50 years of achievement in the field of electrical safety. With the development of ESC as an independent and impartial consumer safety body, we are extending our role to include the electrical safety of products as well as fixed electrical installations. This has provided new opportunities and, as a consequence, new links have been formed with many bodies, including RoSPA and the Child Accident Prevention Trust (CAPT).

The charity has worked tirelessly over the last year to extend its links into both Whitehall and Westminster. Through these efforts it now enjoys the support of MPs from across all parties, in particular I would like to mention Andrew Selous, Shadow Works and Pensions Minister, and MP for South West Bedfordshire.

In order for ESC to be truly effective, it has to reach all sectors of the community – at home and in the workplace. To do this we use a number of mediums: “Switched On” magazine for the trade and specifiers was launched in the summer of 2006 and this has a circulation of 39,000. The website has been further enhanced to make it a richer experience for those visiting it and work is now underway to develop a website specifically for children. A range of leaflets and Best Practice Guides have also been produced which extend the electrical safety message.

To help ensure that these leaflets are written in a way that we can all understand, we have achieved corporate membership of the Plain English Campaign. We were awarded our first Crystal Mark in the early part of 2007, which is a truly significant achievement.

Following relocation to Houghton Regis, NICEIC Group has undertaken an extensive internal review and, as a consequence, their Corporate Plan has been revised to ensure that the business is capable of meeting the challenges the next five years will bring. This will help provide much of the funding needed by The Electrical Safety Council to allow it to develop new initiatives to support its Mission.

In the coming year, ESC plans to develop its new and existing initiatives. In doing so, we will continue to raise consumer awareness, which will be the cornerstone of our future success.

William Howard
Chairman
The Electrical Safety Council

directors' report for the year ended 31 march 2007

The Directors, who are also the Trustees of the Charity, submit their annual report and the audited financial statements for the year ended 31 March 2007. The Directors have adopted the provisions of the Statement of Recommended Practice (SORP) *Accounting and Reporting by Charities* (revised 2005) in preparing this report. The legal and administrative information on pages 4 and 5 form part of this report.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Electrical Safety Council is a company limited by guarantee and a registered Charity.

The Charity is governed by its Memorandum and Articles of Association which were last amended on 29 September 2005 following the Council's Annual General Meeting when the name change (to The Electrical Safety Council) was approved by Council Members.

Board Members who are Directors for the purposes of company law are appointed in accordance with the Articles of Association. Additional Directors have been historically proposed to the Board on the basis of technical expertise or as representatives of relevant user groups or related industry associations/forums which are members of Council.

No monetary value has been attributed to the work of volunteers which comprises mostly the unpaid time of Board Directors, although their contribution is significant and vital to the current activities and continued future success of the Charity and its subsidiaries.

Two new Directors were appointed during the year and were provided with an induction by the Director of Charitable Affairs as well as being provided with a comprehensive information pack, including relevant Charity Commission publications.

At least once a year, training is provided to Directors about issues which could effect the Charity. The next training session will focus on strategic planning within the context of a charity.

The Council's policy and strategy are set by the Board of Directors – the Electrical Safety Board. The Board meets four times a year, plus other meetings as required.

The Board delegates the exercise of certain powers in connection with the management and administration of the Charity, with regular reporting to the Board.

All delegated responsibilities to the Board's sub-committees are ratified through the Board of Directors.

The Board approves the delegation of financial authority through the Director General to the rest of the group with specific limits imposed within an approved scheme of delegation.

The Director General is responsible for the day to day management of both the Charity's and its subsidiaries' affairs, and for implementing the policies agreed by the Board. The Director General is assisted by a group of executives and senior managers.

The Director General and other members of executive management attend meetings of the Board of Trustees and the sub-committees.

directors' report for the year ended 31 march 2007 cont.

Following the governance review, the roles and terms of reference of the various Board Committees has been revised and in some cases expanded. The Council has established a number of sub-committees with clear terms of reference including:

- Nomination and Remuneration Committee
- Audit and Finance Committees
- Technical Committee & The Standing Committee on Technical Matters

Governance and oversight of the main trading subsidiary, NICEIC Group Limited, is achieved by: clear terms of reference, the appointment of three members of the Electrical Safety Board to the subsidiary's board, and prescribed financial authority limits.

ACHIEVEMENTS AND PERFORMANCE

The Objectives of the Charity

The principal objective of the Charity remains the protection of electrical users against the hazards of faulty, unsafe and otherwise defective electrical installations and products.

Achievement of the charitable objective is undertaken by both The Electrical Safety Council and its trading subsidiary, NICEIC Group Limited.

The Electrical Safety Council's vision is to be the UK driving force for consumers in the field of electrical safety.

The Charity's focus is broadly targeted on consumer safety issues which include:

- Operating a watching brief for consumers
- Running a series of consumer campaigns
- Monitoring the electrical industry
- Maintaining Technical Standards
- Participation at consumer shows and exhibitions

Charitable activities undertaken by the Charity's trading subsidiary NICEIC Group Limited include:

- Assessment, certification and registration of individuals and entities carrying out electrical work through:
 - Operation of the Approved Contractors' Scheme which is a voluntary electrical safety regulating body
 - Operation of the Domestic Installer Scheme, a self certification scheme for providers of electrical services and related ancillary trades to domestic dwellings under Part P of the Building Regulations.
- Distribution and retail of technical publications and certificates
- Provision of electrical training courses

Achievements for the year

The main Key Performance Indicators are:

- The Roll of Approved Contractors has reached its highest ever level at 14,174
- Applications and registrants for the Domestic Installer Scheme grew to 8,760
- In excess of 849,000 building control notifications were made to local authorities
- Over 2,800 people attended electrical training courses
- Development of electrical training in DVD format
- Approval from Ministers to operate Competent Person Schemes for Parts F, G, J and L of the Building Regulations for England and Wales.

Further details of the year's achievements are detailed in the Annual Review.

Future Plans

The Governance Review, and the implementation plan for its proposals are ongoing, including the overhaul and restructuring of the committee system to support governance best practice.

Continued growth in the Rolls of Approved Contractor and Domestic Installers is driven in part by enforcement of the existing legislation.

- Development of a five year strategic plan for the Charity.
- Improving consumer knowledge of electrical safety matters.
- A review of investment strategy.

FINANCIAL POSITION AND RESERVES

In summary total incoming resources increased by 7% to £31.3M, whilst total resources expended remained broadly in line with the previous year at £29,209K resulting in a surplus for the year of £2,161K an increase of £2,136K.

Income from charitable activities has increased by 7% reflecting the growth in the Rolls of both Approved Contractors and Domestic Installer (Part P Scheme) registrants allied with significant new income from insurance backed warranty and increased Building Control notifications. The Charity's subsidiary, NICEIC Group Limited, generated most of the Group's charitable income.

Total charitable expenditure of £16,785K has fallen slightly compared with the previous year when expenditure levels were high as a result of relocation of the London Head Office to Houghton Regis.

The Charity's income grew due to the increase in average investment balances as well as increasing returns and the introduction of a licensing charge to the Commercial Group to operate The Roll of Approved Contractors.

Charitable expenditure incurred in the Charity amounted to £1,741K broadly in line with the previous year.

directors' report for the year ended 31 march 2007 cont.

Almost all of the Group's commercial activities are now conducted in NICEIC Group Limited with the exception of the activities of JPD Group Ltd & SNQA (which is currently owned by National Quality Assurance Ltd).

Revenue from subsidiary funded activities grew from £12.3M to £12.8M, a 4% increase.

The Group's overall surplus (before investment gains) grew considerably this year to £2,161K, (2006 – £25K) due to increased profits from the Group's trading activities resulting in gift aid increasing to £3,374K (2006 – £1,640K). The increased gift aid is, in part, a consequence of, and results from, the successful implementation of the Group's restructuring, relocation, and reorganisation initiated the previous financial year.

The sale of Vintage House in London (the former Head Office) resulted in an investment gain of £2M, further bolstering the Group's reserves.

Charity Cash and investment balances have increased to £11.7M resulting from the sale of Vintage House and increased profitability from trading activities.

Changes in tangible fixed assets are summarised in note 10 to the financial statements. Capital invested in fixed assets fell during the year due to the sale of Vintage House and because expenditure on fixed assets was less than the depreciation charge.

The "negative trading funds" have arisen from the amortisation of goodwill arising on consolidation and brought forward losses in the Group's joint venture NQA USA Inc.

The financial position of the Group remains sound with total reserves, which are wholly unrestricted, standing at £13.9M.

Investment Policy and Returns

The investment strategy for surplus funds is firstly to invest for security and secondly for income. Surplus funds can be invested in short dated gilt edged and corporate bonds on the advice of investment professionals. Fixed term and call deposits with a high security rating are also employed to manage shorter term liquidity requirements. Given the recent poor performance of bond markets increasing use has been made of fixed term and call deposits to manage liquidity requirements and investment returns.

Reserves and Risk Assessment

The Finance Committee, on behalf of the Board, conducts an annual review of the level of unrestricted reserves by considering the risks associated with the various income streams, expenditure plans and balance sheet items.

In setting the reserves target the Committee considers the major risks to which the Charity is exposed and the systems that have been established to mitigate those risks.

This enables an estimate to be made of the level of reserves that will be sufficient to maintain core charitable activities including:

- the Charity's consumer awareness activities,
- the commitment to the Technical Manual, and
- sufficient time to reorganise and dispose of long term assets in the event of a down turn

Risks

- **Funding** the Charity has hitherto been entirely dependant on the profits from its trading operations to fund its activities, although, it is anticipated that in the fullness of time other funding sources may be developed. Any sustained downturn in the Group's commercial activities would seriously impact the Charity's ability to fund/maintain its activities.
- **Fixed Assets** the Charity has a material investment in tangible fixed assets of £7.2M in which the Group's activities are conducted, such investments are not necessarily easily realisable.
- **Pension Scheme** the Council maintains a final pension salary scheme. The current deficit on the pension scheme has previously adversely impacted reserves by £4.7M. Volatility in financial markets may result in a wide variation in pension scheme valuations from one period to the next.

Other risks which would impact the Charity over the longer term include:

- **Reputation risk** the Charity is regarded as a centre of excellence in technical matters. Any damage to this reputation would seriously impair its effectiveness.

The Finance Committee has recommended that reserves amounting to three times discretionary charitable expenditure should be maintained after provision has been made for designated investments in tangible fixed assets which cannot be easily liquidated. Charity reserves currently approximate 90% of this target.

Financial Instruments

The Group's policy is to finance working capital through retained reserves and monies received in advance from customers as a result of its annual fee cycle. The Group does not actively use other financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. It is also exposed to some foreign exchange risk through its joint ventures and NQA's international customer base, but these exposures are not significant within the context of the Group. The nature of the Group's financial risk instruments means that they are not subject to price or liquidity risk.

The Board does not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or result.

EMPLOYEE TRAINING AND RECRUITMENT

The Group has an active personal development training programme to ensure that all employees have the skills and knowledge to achieve the business and personal goals to which they aspire. The Group is an equal opportunity employer that values diversity in its employees and it has recruitment policies directed to ensure that it is open to all.

directors' report for the year ended 31 march 2007 cont.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements that give a true and fair view of the state of affairs of the Charity and the Group and of the surplus or deficit of the Group for its financial year. In doing so, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements
- Make judgements and estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Charity and the Group to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Charity and the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors has confirmed that so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution for the appointment of auditors shall be proposed at the forthcoming Annual General Meeting.

By order of the Board

Judith O'Connell Company Secretary 24 July 2007

independent auditors' report to the members of the electrical safety council

We have audited the financial statements of The Electrical Safety Council for the year ended 31st March 2007 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities (who also act as trustees for the charitable activities of The Electrical Safety Council) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

independent auditors' report to the members of the electrical safety council cont.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

– In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the charitable company's affairs as at 31st March 2007 and of the Group's result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF(UK)LLP
Registered Auditors
London
24 July 2007

the electrical safety council consolidated statement of financial activities

YEAR ENDED 31 MARCH 2007

	Note	Unrestricted Funds £000's	Trading Subsidiaries £000's	2007 Total Funds £000's	2006 Total Funds £000's
INCOMING RESOURCES FROM:					
Generated Funds					
Investment Income		502	-	502	254
Turnover of Trading Subsidiaries	2	-	12,780	12,780	12,334
		502	12,780	13,282	12,588
Charitable Activities					
Certification Activities		-	13,148	13,148	11,588
Training Activities		-	1,224	1,224	1,454
Electrical Contractor Support Activities		-	3,671	3,671	3,765
		-	18,043	18,043	16,807
Other Incoming Resources		7	38	45	
TOTAL INCOMING RESOURCES		509	30,861	31,370	29,395
RESOURCES EXPENDED:					
Cost of Generating Funds					
Investment Management Costs and Fundraising		49	-	49	54
Trading Costs	2	-	12,028	12,028	12,125
		49	12,028	12,077	12,179
Charitable Activities					
Watching Brief for Consumers		354	-	354	615
Specific Niche Campaigns		1,064	-	1,064	546
Industry Monitor		323	-	323	575
Certification Activities		-	10,972	10,972	11,132
Training Activities		-	1,209	1,209	1,299
Electrical Contractor Support Activities		-	2,863	2,863	2,701
		1,741	15,044	16,785	16,868
Governance Costs		347	-	347	323
TOTAL RESOURCES EXPENDED		2,137	27,072	29,209	29,370
NET INCOMING/(OUTGOING) RESOURCES	7	(1,628)	3,789	2,161	25
Gains on Sale of Freehold Property		1,995	-	1,995	-
Actuarial Gains on Pension Scheme	17	900	-	900	1,700
Transfer of gift aid		3,374	(3,374)	-	-
NET MOVEMENT IN FUNDS		4,641	415	5,056	1,725
Total Funds at 1 April 2006				8,862	7,137
Total Funds at 31 March 2007				13,918	8,862

All funds are unrestricted. All recognised gains and losses are included above. All amounts are derived from continuing activities.

the electrical safety council balance sheet

AS AT 31 MARCH 2007

	Note	Group 2007 £000's	Charity 2007 £000's	Group 2006 £000's	Charity 2006 £000's
FIXED ASSETS:					
Intangible Assets	9	2,277	-	2,702	-
Tangible Assets	10	7,838	7,219	9,272	8,274
Investments	11	381	260	414	260
		<u>10,496</u>	<u>7,479</u>	<u>12,388</u>	<u>8,534</u>
CURRENT ASSETS:					
Stocks		500	-	570	-
Debtors	12	2,019	-	1,967	4,255
Short Term Investments	13	-	-	10	-
Cash at Bank & in Hand		12,291	11,739	4,935	3,270
		<u>14,810</u>	<u>11,739</u>	<u>7,482</u>	<u>7,525</u>
CURRENT LIABILITIES:					
Amounts Falling Due Within One Year	14	(6,688)	(450)	(5,808)	(1,386)
NET CURRENT ASSETS:					
		<u>8,122</u>	<u>11,289</u>	<u>1,674</u>	<u>6,139</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:					
		<u>18,618</u>	<u>18,768</u>	<u>14,062</u>	<u>14,673</u>
DEFINED BENEFIT PENSION SCHEME LIABILITY					
	17	(4,700)	(4,700)	(5,200)	(5,200)
		<u>13,918</u>	<u>14,068</u>	<u>8,862</u>	<u>9,473</u>
THE FUNDS OF THE CHARITY					
UNRESTRICTED INCOME FUNDS		18,618	18,768	14,062	14,673
PENSION RESERVE	17	(4,700)	(4,700)	(5,200)	(5,200)
TOTAL CHARITY FUNDS		<u>13,918</u>	<u>14,068</u>	<u>8,862</u>	<u>9,473</u>

Approved by the Board of Directors and authorised for issue on 24th July 2007, and signed on their behalf by:

W Howard – Chairman

the electrical safety council consolidated cash flow statement

year ended 31 march 2007

	2007 £000's	2006 £000's
CASH FLOW STATEMENT		
Net cash inflow from operating activities (per note A below)	3,980	3,379
Returns on investments and servicing of finance (per note B below)	686	349
Capital expenditure and financial investment (per note C below)	2,684	(2,675)
Acquisitions and disposals (per note D below)	-	(630)
Net cash inflow before management of liquid resources	7,350	423
Management of liquid resources – sale of investments	(4)	3,297
Increase in Cash in Year	7,346	3,720

Analysis of Net Funds

	At 01.04.06 £000's	Cashflow Movement £000's	At 31.03.07 £000's
Cash at bank and in hand	4,935	7,350	12,285
Investments	10	(4)	6
	4,945	7,346	12,291

CASHFLOW STATEMENT NOTES

A. Reconciliation of changes in resources to net cash inflow from operating activities

Net incoming resources	2,161	25
Interest received and investment income	(502)	(254)
Profit on sale of fixed assets	(24)	(16)
Depreciation and amortization	1,230	1,252
Taxation paid by subsidiaries	110	26
Increase in pension fund deficit	400	300
Share of joint venture profit	(222)	(147)
Goodwill acquired by NQA Inc	(71)	-
Decrease in stocks	70	19
Decrease/(increase) in debtors	(52)	886
Increase in creditors	880	1,288
Net Cash Inflow from Operating Activities	3,980	3,379

B. Returns on Investment and Servicing of Finance

Investment income received	-	107
Interest received	502	147
Distribution from Joint Venture	184	95
	686	349

C. Capital Expenditure and Financial Investments

Purchase of fixed assets	300	2,692
Sale of fixed assets	(2,984)	(17)
	(2,684)	2,675

D. Acquisitions

Acquisition of JPD (net of cash acquired)	-	430
Zurich Certification Services Limited – deferred consideration	-	200
	-	630

notes to the consolidated financial statements

year ended 31 march 2007

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the inclusion of certain assets at their market value and in accordance with applicable accounting standards having regard to the 2005 Statement of Recommended Practice (SORP 2005) "Accounting and Reporting by Charities".

(b) Basis of Consolidation

The consolidated accounts include the results of the charitable company and its subsidiaries, from date of acquisition: National Quality Assurance Limited, NICEIC Group Ltd, JPD Group Ltd and equity account for the results of the associated undertakings, NQA Inc and Shanghai NQA. The disclosure formats set out in Financial Reporting Standard No. 9 – "Associates and Joint Ventures" have been modified in order to present fairly the Group results as required by SORP 2005.

As permitted by Section 230 of the Companies Act 1985, a separate income and expenditure account is not presented in respect of the charitable company. The Charity's result for the year was £3,384K surplus (2006 – £1,481k surplus).

(c) Income

Fees and other income are accounted for on the provision of the service and are exclusive of VAT.

(d) Basis of Expenditure Allocation

SORP 2005 requires that support costs are allocated where appropriate to direct charitable activities. The analysis (as per Note 4) provides an understanding of the nature of the activities undertaken and the resources expended on their provision.

(e) Stocks

Stocks, which consist of publications and certificates for sale, are stated at the lower of cost and net realisable value.

(f) Depreciation

Tangible assets are depreciated by equal annual instalments over their estimated useful lives:

Computer equipment	– 33 $\frac{1}{3}$ % on cost
Office equipment	– 20% on cost
Freehold building	– 2% on cost
Refurbishment	– 10% on cost
Leasehold improvements	– 20% on cost or over the lease term if less than five years
Long leasehold property	– on cost over the term of the lease
Motor vehicles	– 33% on cost

No depreciation is provided on freehold land.

(g) Operating Leases

Costs arising under operating lease agreements have been charged to the Statement of Financial Activities as incurred.

(h) Foreign Exchange

Assets and liabilities are translated into sterling at rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at rates ruling on the date of the transaction.

Exchange differences arising from the translation of the net assets of overseas joint ventures are taken directly to the investment.

(i) Valuation of Fixed Asset Investments

Investments in Group undertakings are carried at historical cost, adjusted in the case of the associated undertakings to reflect the Group's share of the underlying results. The Council considers this to be the most appropriate method of valuation of these holdings for the purpose of the consolidated financial statements.

(j) Valuation of Current Asset Investments

Current assets investments are valued at mid market value at the year end. Gains or losses arising on revaluation are taken to the statement of financial activities.

(k) Goodwill

Goodwill arising as a result of investment in joint ventures and subsidiaries is capitalised and amortised on a straight line basis over its estimated useful economic life which is considered to be between four and eight years. The carrying value of goodwill is periodically reviewed, and impairment provisions made where appropriate.

(l) Pension Cost

The Group operates both a Defined Benefit Pension Scheme and Defined Contribution Schemes.

For the Defined Benefit Scheme, the Statement of Financial Activities is charged with the current service costs and the net return on assets. They are included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown in aggregate. Actuarial gains and losses are recognised immediately in the SOFA.

The Defined Benefit Scheme is funded, with the assets of the scheme held in a fund administered by the NICEIC Pension Scheme. Pension scheme assets are measured at fair market value and liabilities are measured on an actuarial basis using the projected unit credit method of valuation and discounted at a rate based on the yield of an AA rated Corporate Bond. Actuarial valuations for the purposes of FRS 17 are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after total assets less current liabilities on the face of the balance sheet.

The Defined Contribution Schemes are "Stakeholder Schemes" whereby participating employees have individual contracts with an insurance company providing a range of investment alternatives.

notes to the consolidated financial statements cont.

year ended 31 march 2007

2 NET INCOME FROM TRADING ACTIVITY OF SUBSIDIARIES

With effect from 31 March 2005 the Group was re-organised and the business and undertakings of the four former subsidiary companies were transferred into NQA Ltd, a previously dormant & wholly owned subsidiary company. In addition the support departments were transferred to NQA Ltd, these were Finance, Marketing, Business Development, Human Resources, IT and Administration. NQA Ltd was then renamed NICEIC Group Limited, and trading commenced on 1 April 2005.

The five trading divisions of NICEIC Group Ltd operating during the year were:

- National Quality Assurance (NQA). The principal activities were the assessment of quality management systems of applicant companies, and the on-going surveillance of the systems of registered companies against the requirements of BS EN ISO 9000: 1994 Quality Systems.
- NICEIC Assessment Services carried out the inspection and assessment of NICEIC enrolled contractors for both the Approved Contractor & Domestic Installer Schemes.
- NIC Certification is an accredited personal certification body.
- NICEIC Direct sells certificates, publications and other goods.
- Training of electrical contractors.

Additionally, JPD Group Ltd (JPD) traded during the year. JPD, based in Cheshire, is a training company specialising in Quality management, environmental management as well as business management courses.

3 INVESTMENT INCOME AND INTEREST

	Group	
	2007 £000's	2006 £000's
Investment income from listed investments	–	107
Bank interest	502	147
	<u>502</u>	<u>254</u>

4 SUPPORT COSTS ANALYSIS

	Management £000's	Finance £000's	Information Technology £000's	Human Resources £000's	Total 2006/07 £000's	Total 2005/06 £000's
COST OF GENERATING FUNDS						
Investment Management	-	22	8	1	31	40
CHARITABLE ACTIVITIES						
Watching Brief for Consumers	4	4	35	5	48	55
Specific Niche Campaigns	4	4	9	1	18	21
Industry Monitor	4	4	9	1	18	21
Certification Activities	45	210	359	54	668	788
Training Activities	7	38	44	6	95	115
Electrical Contractor Support Activities	7	38	44	7	96	115
GOVERNANCE	1	56	9	1	67	83
TOTAL SUPPORT COSTS	72	376	517	76	1,041	1,238

Cost allocation includes an element of judgement and the Charity has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the Charity adopts a policy of allocating costs to the respective cost headings through the year. This allocation includes support costs where directly attributable. Therefore the support costs shown are a best estimate of the costs that have been allocated to Charitable Activities within both elements of the organisation.

5 STAFF COSTS

	Charity		Group	
	2007 £000's	2006 £000's	2007 £000's	2006 £000's
Staff costs				
Wages and salaries	789	861	11,390	11,175
Agency salaries	-	-	309	401
Social security costs	83	87	1,096	1,062
Pension costs	106	102	2,093	1,881
Healthcare plan	6	4	87	89
	984	1,054	14,975	14,608

The average number of staff employed during the period was 342 (2006: 344). This includes 325 (2006: 328) staff employed by subsidiary companies.

notes to the consolidated financial statements cont.

year ended 31 march 2007

6 EMOLUMENTS OF EMPLOYEES AND DIRECTORS AND RELATED PARTY TRANSACTIONS

In 2007 the highest paid employee received £112,488 (2006: £104,229), excluding pension contributions.

Other employees of the Charity who received total emoluments of greater than £60,000, all of whom participated in the defined benefit pension scheme, fell into the following bands:

	2007	2006
£60,001 – £70,000	1	1
£70,001 – £80,000	1	–
£80,001 – £90,000	1	2
£90,001 – £100,000	–	–
£100,001 – £110,000	–	1
£110,001 – £120,000	1	–
	<u>4</u>	<u>4</u>

Transactions Connected to Directors

Charity Commission consent was obtained for the following transaction.

Year ended 31 March 2006:

A member of the Board (Mr L Stratton) is also Chairman of the Architects Co-Partnership who acted as the architects for the extension of the Warwick House building. Fees of £17,340 were payable to the architects in the year ending 31 March 2006 (2007 – nil).

7 NET OUTGOING RESOURCES

	2007 £000's	2006 £000's
The Group's net incoming/(outgoing) resources are stated after charging/(crediting) :		
Audit fees	63	47
Non audit fees paid to auditors	–	–
Amortisation of goodwill	425	402
Depreciation of tangible fixed assets	805	850
Operating lease charges:		
Land and buildings	22	22
Plant, machinery & vehicles	639	602
(Profit) on sale of fixed assets	(2,019)	(16)
Taxation	<u>100</u>	<u>60</u>

8 TAXATION

The Council is a Charity with the registration number 257376. No UK taxation is therefore due on profits, income and gains arising from the charitable activities of the company. The subsidiaries pay over most of their taxable profits to The Electrical Safety Council, under a Gift Aid Scheme. The tax charges in relation to subsidiaries are disclosed in Note 7.

9 INTANGIBLE ASSETS – GOODWILL

Group	2007 £000's	2006 £000's
At 1 April 2006	2,702	2,599
Goodwill acquired in the year	-	505
Amortisation for the year	(425)	(402)
At 31 March 2007	<u>2,277</u>	<u>2,702</u>

Goodwill acquired in the year was £nil (2006 – £505k in respect of the purchase of the JPD Group of Companies).

10 TANGIBLE FIXED ASSETS

Group	Freehold Land & Buildings £000's	Leasehold Land & Buildings £000's	Office & Computer Equipment £000's	Vehicles £000's	TOTAL £000's
ORIGINAL COST					
B/fwd	9,923	471	2,996	293	13,683
Additions	32	36	233	-	300
Disposals	(2,371)	(140)	(571)	(87)	(3,169)
C/fwd	<u>7,584</u>	<u>367</u>	<u>2,658</u>	<u>206</u>	<u>10,815</u>
DEPRECIATION					
B/fwd	1,881	216	2,161	153	4,411
Charge	186	40	512	68	806
Disposals	(1,459)	(140)	(572)	(69)	(2,240)
C/fwd	<u>608</u>	<u>116</u>	<u>2,101</u>	<u>152</u>	<u>2,977</u>
NET BOOK VALUE					
As at 31 March 2006	8,042	255	835	140	9,272
As at 31 March 2007	<u>6,976</u>	<u>251</u>	<u>557</u>	<u>54</u>	<u>7,838</u>

Land, which is not depreciated, amounted to £710,000 (2005 £710,000.)

notes to the consolidated financial statements cont.

year ended 31 march 2007

10 TANGIBLE FIXED ASSETS continued

	Freehold Land & Buildings £000's	Leasehold Land & Buildings £000's	Vehicles £000's	TOTAL £000's
Charity				
B/fwd	9,923	211	62	10,196
Additions	32	34	-	66
Disposals	(2,371)	-	(15)	(2,386)
C/fwd	<u>7,584</u>	<u>245</u>	<u>47</u>	<u>7,876</u>
DEPRECIATION				
B/fwd	1,882	8	32	1,922
Charge	185	8	16	209
Disposals	(1,459)	-	(15)	(1,475)
C/fwd	<u>608</u>	<u>16</u>	<u>33</u>	<u>657</u>
NET BOOK VALUE				
As at 31 March 2006	<u>8,041</u>	<u>203</u>	<u>30</u>	<u>8,274</u>
As at 31 March 2007	<u>6,976</u>	<u>229</u>	<u>14</u>	<u>7,219</u>

Land, which is not depreciated, amounted to £710,000 (2005 £710,000.)

11 INVESTMENTS

Group	2007 £000's	2006 £000's
Joint Ventures:		
At 1 April 2006	414	362
Share of profit for the year	222	147
Acquisition by NQA Inc	(71)	-
Less: remitted to the Group	(184)	(95)
	<u>381</u>	<u>414</u>
Share of Joint Ventures:		
Fixed assets	64	66
Current assets	843	725
Creditors	(526)	(377)
	<u>381</u>	<u>414</u>

NICEIC Group Ltd owns 50% of the share capital of NQA Inc. NQA Inc. owns the entire issued share capital of NQA USA Inc, NQA Training and Development Inc and NQA Laboratory Services Inc. The joint venture Group carries out certification services, and training and laboratory services. NQA is entitled to 49.5% of any profits arising from the joint venture.

National Quality Assurance Ltd also owns 49% of the share capital of Shanghai NQA Certification Co Limited. This joint venture carries out management system certification services. It is intended that this shareholding shall transfer to NICEIC Group Ltd during 2007/08.

Disclosures in relation to joint ventures above have not been shown on the face of the balance sheet as required by FRS 9, on the basis that the amounts are not material.

Charity

Subsidiaries:		
At 1 April and 31 March	<u>260</u>	<u>260</u>

notes to the consolidated financial statements cont.

year ended 31 march 2007

12 DEBTORS

	Group 2007 £000's	Charity 2007 £000's	Group 2006 £000's	Charity 2006 £000's
Trade debtors	1,225	-	1,387	-
Other debtors	51	-	118	-
Amount due from subsidiary undertakings	-	-	-	4,255
Prepayments	350	-	414	-
Accrued income	393	-	48	-
	<u>2,019</u>	<u>-</u>	<u>1,967</u>	<u>4,255</u>

13 SHORT TERM INVESTMENTS

	2007 £000's	2006 £000's
Group		
Market value as at 1 April 2006	6	10
Unrealised investment gains	<u>-</u>	<u>(4)</u>
Market value as at 31 March 2007	<u>6</u>	<u>6</u>
Historical cost as at 31 March 2007	<u>10</u>	<u>10</u>
Investments are represented by:		
UK fixed interest securities	<u>6</u>	<u>6</u>
Total	<u>6</u>	<u>6</u>

14 CREDITORS

	Group 2007 £000's	Charity 2007 £000's	Group 2006 £000's	Charity 2006 £000's
Amounts falling due within one year				
Trade creditors	2,116	-	2,135	-
Social security and other taxes	569	-	627	-
Accruals and deferred income	3,903	-	2,986	-
Amount due to subsidiary undertakings	-	450	-	1,386
Corporation tax	100	-	60	-
	<u>6,688</u>	<u>450</u>	<u>5,808</u>	<u>1,386</u>

Deferred income comprises of payments received on account and income relating to services not yet delivered.

15 LEASING COMMITMENTS

The Group has financial commitments in respect of operating leases. The annual rentals payable under these leases are analysed below:

	2007		2006	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
Charity				
Expiring within one year	-	3	7	4
Expiring within two to five years inclusive	<u>31</u>	<u>26</u>	<u>-</u>	<u>19</u>
	<u>31</u>	<u>29</u>	<u>7</u>	<u>23</u>
Group				
Expiring within one year	-	170	7	118
Expiring within two to five years inclusive	<u>46</u>	<u>366</u>	<u>15</u>	<u>434</u>
	<u>46</u>	<u>536</u>	<u>22</u>	<u>552</u>

notes to the consolidated financial statements cont.

year ended 31 march 2007

16 INSURANCE

Insurance costs charged to the revenue account include professional indemnity cover in respect of the Board of Directors. It was not possible to separately identify the cost of this from the total insurance premium for the Group.

17 PENSION SCHEME

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from the Group, being invested by UBS Global Asset Management Limited and Henderson Global Investors Limited. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The Scheme was closed to new members with effect from 1 January 2007.

A formal valuation of the scheme was carried out as at 31 March 2005 by a qualified independent actuary. This statement has been updated by the actuary for the purpose of FRS 17 based on that valuation, using the following major assumptions:

	31 March 2007	31 March 2006	31 March 2005
Pension increases	3.2%	3.0%	2.9%
Pay increases	5.2%	5.0%	4.9%
Inflation	3.2%	3.0%	2.9%
Discount factor for liabilities	5.4%	5.0%	5.4%

The assets of the scheme and the expected rates of return at 31 March 2007 are:

	Value 2007 £m	Expected Long term return	Value 2006 £m	Expected long term return	Value 2005 £m	Expected long term return
Equities	33.5	8.1%	31.4	8.0%	23.2	8.1%
Bonds	3.4	4.8%	2.6	4.4%	1.9	4.7%
Property	0.4	6.5%	0.6	6.2%	0.7	6.4%
Cash	2.7	5.0%	1.6	4.0%	1.5	3.9%
	<u>40.0</u>		<u>36.2</u>		<u>27.3</u>	

17 PENSION SCHEME continued

The approximate fair values of the scheme as at 31 March 2007 are:

	2007 £m	2006 £m	2005 £m
Fair value of assets	40.0	36.2	27.3
Present value of liabilities	(44.7)	(41.4)	(33.9)
Net pension (liability)	<u>(4.7)</u>	<u>(5.2)</u>	<u>(6.6)</u>

Movement in deficit during the year

	2007 £m	2006 £m
(Deficit) in the scheme at beginning of year	(5.2)	(6.6)
Contributions paid	1.6	1.6
Current service cost	(2.7)	(2.5)
Past service cost	-	-
Curtailment gain	-	0.3
Other finance income	0.7	0.3
Actuarial gain	0.9	1.7
(Deficit) in the scheme at end of year	<u>(4.7)</u>	<u>(5.2)</u>

Analysis of amounts chargeable to Consolidated SoFA

	2007 £m	2006 £m
Current service cost	2.7	2.5
Past service cost	-	-
Curtailment gain	-	(0.3)
Interest on scheme liabilities	2.1	1.8
Expected return on scheme assets	(2.8)	(2.1)
Net charge to consolidated SOFA	<u>2.0</u>	<u>1.9</u>

notes to the consolidated financial statements cont.

year ended 31 march 2007

17 PENSION SCHEME continued

Analysis of actuarial gain in the SOFA

	2007 £m / %	2006 £m / %	2005 £m / %	2004 £m / %	2003 £m / %
Actuarial return less expected return on scheme assets	(0.7) (1.8%)	4.7 13.0%	1.2 4.4%	3.2 14.0%	(6.2) (36.6%)
Experience gains and losses arising on scheme liabilities	-	0.4 1.0%	(0.5) (1.5%)	-	-
Change in assumptions underlying the present value of the scheme liabilities	1.6 3.6%	(3.4) (8.2%)	(0.6) (1.8%)	(1.5) (5.2%)	(2.7) (11.2%)
Actuarial gain recognized in SOFA	<u>0.9</u>	<u>1.7</u>	<u>0.1</u>	<u>1.7</u>	<u>(8.9)</u>

* The percentages in the table above are in relation to the percentage of scheme assets or liabilities.

The net pension liability belongs to the Charity and its subsidiaries. The actuary advises that there is no way to allocate the historical deficit between them. Each year each of the subsidiaries, with employees in the scheme, pays the Charity for its share of any current service cost and deficit by way of a management charge and therefore the Charity accounts for the cumulative deficit (or surplus) in full.

18 RELATED PARTY TRANSACTIONS

With respect to NQA USA Inc. NICEIC Group Ltd (NQA Division) provides certification oversight and advice and processes, and issues ISO registration certificates. NQA charges an agreed fee for each certificate in place at the beginning of the year and issued during the year, together with the appropriate UKAS levy. In addition NQA recharges to, and is recharged by, both concerns with certain travel expenses, assessor services, training fees and other sundry expenses.

	NQA USA Inc.	
	2007 £000's	2006 £000's
Charged by NQA Division		
Certification fees	242	216
Reimbursable expenses	20	50
Charged to NQA Division		
Reimbursable expenses	33	51

The Charity has taken advantage of the exemption given by Financial Reporting Standard No.8, and has therefore not given details of transactions with its wholly-owned trading subsidiaries.

A close family member of a key manager is employed in a junior position by the Charity's subsidiary, NICEIC Group Ltd. This employee was recruited independently of the key manager and his salary is set on an arms length basis.

19 STATUS OF COMPANY

a) The Electrical Safety Council is a Charity with the registration number 257376. No UK taxation is therefore due on profits, income or gains arising from the charitable activities of the company.

b) The Electrical Safety Council is registered as a company in England and Wales with the number 570175 and is limited by guarantee.

20 GROUP UNDERTAKINGS

The following were the principal subsidiaries and joint ventures during the year, and have all been included in the consolidated financial statements for the whole year.

Subsidiaries	Country of Incorporation	Class of share	Parent Company's interest	
			Direct	Indirect
NICEIC Group Limited	Great Britain	Ordinary	100%	–
National Quality Assurance Limited	"	"	100%	–
JPD Group Limited	"	"	–	100%
Joint Ventures				
Shanghai NQA Certification Company Limited	China	Ordinary	–	49%
NQA Inc	USA	Ordinary	–	50%

