

**THE ELECTRICAL SAFETY COUNCIL
(A Company Limited by Guarantee)**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

THE ELECTRICAL SAFETY COUNCIL

**ANNUAL REPORT
YEAR ENDED 31 MARCH 2011**

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THE ELECTRICAL SAFETY COUNCIL

LEGAL AND ADMINISTRATIVE INFORMATION

Patron

Baroness Tonge

Board Members and Management

W H Wright †

D Dossett †

N Carter

M Clancy Resigned 6 September 2010

R Jones

S Bratt Appointed 18 June 2010

E King

D W M Latimer

N McGuinness

R Miguel

D J Pollock Resigned 6 June 2010

L Stratton Resigned 17 June 2011

C J Tanswell†

B F Walker

† Office Bearer and Finance and Management Committee Member

Director General P Buckle

Company Secretary J O'Connell

Senior Staff and Officers

P Buckle Director General
M C Clark Technical Director
J O'Connell Group Finance Director & Company Secretary

D Bell Non Executive Chairman Ascertiva Group Ltd - Resigned 6 January 2011
J Speirs Chairman Ascertiva Group Ltd
E McCarthy Chief Executive Officer Ascertiva Group Ltd

S Currie Non Executive Director Ascertiva Group Ltd
R Empson Non Executive Director Ascertiva Group Ltd - Resigned 31 March 2011
J Frame Non Executive Director Ascertiva Group Ltd

Registered Charity (Scotland) No. SC039990

Registered Company No. 570175

Registered Charity (England and Wales) No. 257376

THE ELECTRICAL SAFETY COUNCIL

LEGAL AND ADMINISTRATIVE INFORMATION (Continued)

Finance and Management Committee

W H Wright (Chairman)	J O'Connell (Secretary)
D Dossett	P Buckle
C J Tanswell	

Technical Committee

C J Tanswell (Chairman)
J Bradley (Secretary)
M C Clark
D W M Latimer
B F Walker
W H Wright
D Start
G Digilio
J Hodge
G Cronshaw
A Wells
P Buckle
K Morton
J M R Hagger
M Allen
B Cairney
R Bates
F Bertie
M Tyrell
M Mullins

Standing Committee on Technical Matters

M C Clark (Chairman)
J Bradley (Secretary)
P Cook
P Lawson
A Daley
D W M Latimer
G Cronshaw
M Onyett
P Sayer
J A McLean
C J Tanswell
D Start
A Wells

Electrical Safety of Products Committee

G Jones
S MacConnacher
R Jefferis
M Mullins
P Leshirley
J Hodge
A Thaper
A Ferguson
G Tunney
G Cronshaw
C Heemskerk
R Bates
A Gordon
M Young
P Buckle
B Walker
C Tanswell
M Clark
M Allen
S Curtler

Bankers

HSBC, 28 Borough High Street, London SE1 1YB

Solicitors

Bristows, 100 Victoria Embankment, London EC4Y 0DH.

Auditors

PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London EC1M 3AP

Investment Managers

HSBC Global Asset Management, 78 St James Street, London, SW1A 1HL
Cazenove Fund Management, 12 Moorgate, London EC2R 6DA

Registered Office

Unit 331-3 Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS

THE ELECTRICAL SAFETY COUNCIL

CHAIRMAN'S STATEMENT 2010/11

During my period as Chairman I have learnt that at the heart of a modern third sector organisation is a diverse group of Trustees that are able to bring their blend of skills together to inform and shape the strategic direction of their Charity. As Chairman of the Electrical Safety Council (ESC) I have enjoyed the support of such a dedicated group of Trustees who, with their individual skills, have helped to establish significant momentum that will take us forward as the leading Charity in the UK on matters concerning electrical safety.

The momentum we have achieved was, in part, brought about by a review of the ESC's Memorandum and Articles. Much in need of updating, it was imperative that changes were made to the governing document to reflect the current practice in respect of governance expected of a modern charity. The publication of a revised set of Articles saw the end of constitutional based membership of the Board, and Trustees now attend meetings of the Board in their own right. This important change helps to reinforce the message that the ESC is an impartial organisation that will work with all stakeholder groups to achieve its objects.

Coupled with the updating of the Articles, the Board undertook a root and branch review of its governance and this included how oversight of the ESC's trading subsidiary, Ascertiva Group Ltd, should be undertaken. Amongst other things the review of governance introduced changes to the committee structure that is in place to support the Board's decision making process along with changes to the Ascertiva Group's management structure with Jim Speirs being appointed as sole Chairman and Emma McCarthy moving from COO to Chief Executive Officer. The new structure has now bedded in and I am confident that the ESC and its trading group will go from strength to strength.

Another important step in the further development of the ESC was the publication of our new five year strategy. Supported by the Director General and his senior team, the Trustees have put in place a strategic plan that seeks to build upon our previous successes using an evidence based approach. This will both inform where resource should be directed to bring maximum effect in everything we do to support our beneficiaries and help to raise our profile so that we may seek to have greater influence with government and our key stakeholders. We have already enjoyed some early returns on the work we have done in developing the new strategic plan with a significant increase in the influence we have in Scotland being a prime example. Our core dataset sets the benchmark for all of our campaigning and is used to develop consistent messaging to politicians and civil servants as well as to our stakeholders.

On behalf of the Trustees and staff of ESC, I would like to thank our colleagues at Ascertiva Group for the funding they provide to the Charity in the form of gift aid. It is because of this funding we are able to undertake the many activities in support of improving awareness of electrical safety. In particular we are proud of the fact that we can make a real difference to the most vulnerable and during the year we were able to provide home improvement grants to over 650 households. The funding has also allowed ESC to push forward on the development of its flagship campaign Plug into Safety and as this campaign enters its second year I am confident that our manufacturing partners and the retail sector will help us make further gains in encouraging people to fit an RCD through practical support.

I have thoroughly enjoyed my tenure as Chairman and I know that in handing over the reins to Charles Tanswell, I do so confident that he will lead the ESC to further success. On a final note would like to thank my fellow Trustees for all their help and support and it would be remiss of me not to say thank you to Phil Buckle and his team for their ongoing talent and commitment.



Bill Wright

Chairman
The Electrical Safety Council

THE ELECTRICAL SAFETY COUNCIL

DIRECTOR GENERAL'S REVIEW

The past year has been a watershed for the Electrical Safety Council (ESC) and the Charity is now better able to make a meaningful impact on improving electrical safety in the UK.

A key achievement, for the period under review, is the development of a new five year strategy and the accompanying three year rolling business plan. The plan provides clarity on our priorities which will provide focus in everything the ESC does to achieve its vision for 'everyone to be safe from the dangers that electricity can create'. It also identifies the key performance indicators that will support the achievement of the strategic priorities set by the Trustees.

Underpinning the business plan is our people which has been made a strategic priority in itself. The Council recognise that if ever we are to make the kind of impact that we perceive, all staff must be adequately equipped and equal to the task of making a difference. In this regard, the Charity took a holistic approach to learning and development including performance management. We built on the revision of the core values and behaviours undertaken in 2009-10 by finalising a competency framework linked to the strategic priorities.

Consequently, every member of the ESC team can see how they contribute to the implementation of the business plan and ultimately to the achievement of the strategic priorities. This 'line of sight' to the strategic priorities gives real effect to the work we do and helps to create the basis for a culture of learning and development in the organisation.

I am pleased with our many achievements throughout the year. In my previous report, I made mention of a new flagship campaign being developed and I am pleased to say that the Plug into Safety campaign was successfully launched in May 2010. The first year of the campaign has seen significant gains in raising the profile of the Charity, building partnerships with industry, manufacturers and distributors and educating consumers about the use of residual current devices (RCD). The campaign's message is clear – an RCD can save your life and I am positive that the second year of the campaign will be even more successful, which will further secure the safety of users of electricity through greater use of RCDs.

Providing direct support and grants to vulnerable groups remains a core remit of the Charity and we continue to make inroads in improving the safety of at risk groups. Last year, for the first time, we awarded grant funding to partners in Northern Ireland to undertake urgent remedial work.

But even as we campaign to raise awareness of electrical safety and change consumer behaviours, we are seeking to influence the standard of electrical installations and the safety of electrical products. Our Technical Team continue to support Ascertiva by producing supporting materials for Ascertiva's training courses as well as their tireless efforts in keeping Ascertiva's publications relevant and up to date. They are currently working hard to ensure these publications are updated as a result of the amended version of BS 7671.

A major challenge emerged towards the end of the year with the government announcement that they will be reviewing Part P of the Building Regulations that provides the sole legal framework for electrical safety in dwellings. The ESC has cautioned against scrapping or watering down the regulation and we continue to play a lead role in making the case of safeguarding consumers during this period of deregulation.

The Charity continues to implement its product safety agenda and in November 2010 we played a key role in a Product Safety Conference held in London which brought together international interests to discuss a range of issues. We have also been developing the concept of a product safety innovation mark. During consumer testing over 66% of those surveyed were in support of a mark to show that an appliance had extra safety features. We are now working with our trading subsidiary, Ascertiva Group, to develop a pilot for this mark.

**THE ELECTRICAL SAFETY COUNCIL
DIRECTOR GENERAL'S REVIEW (continued)**

We have had great success in developing relationships that help to further our objects and this has been achieved through the integrity and impartiality of those that work for the ESC. Our relationship with our trading subsidiary Ascertiva Group must, however, be given special mention as without their ongoing funding we could not undertake our awareness raising activities, neither could we provide the level of grants to support safer communities. On behalf of myself and the team at ESC, I would like to thank colleagues at Ascertiva for this support.

Lastly, I would like to thank both the Trustees and my team at the ESC for their ongoing support, which has made the last twelve months so successful.

Phil Buckle

**Director General
The Electrical Safety Council**

Phil Buckle
18/8/11

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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 2011. 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 3 and 4 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 Articles of Association which were amended on 30 September 2010 following the Council's Annual General Meeting when permission was sought from, and granted by, members to make a number of changes to the Charity's constitution. These changes had as their objective modernisation of the governance of the Charity.

The key changes approved were as follows:

- That membership of the Council would comprise the Charity's Trustees.
- That Trustees be elected in their own individual right and not, as was previously the situation, that certain institutions had rights to elect the Board's members.
- Rationalisation and streamlining of the Articles which had been drawn up in 1956 and had been amended in a piecemeal fashion over the years, during which there had also been numerous changes in both Company and Charity law.

The Charity intends holding an annual stakeholder event to engage with those organisations with an interest in the Charity's activities as the updated Articles do not provide for the convening of an AGM.

Board Members are Directors for the purposes of company law, are Trustees for charity purposes and also comprise the Charity's Council. Following the recent changes to the constitution, future Director appointments will be proposed to the Board on the basis of technical expertise or as representatives of relevant user groups or related industry associations/forums.

No monetary value has been attributed to the work of volunteers which comprises mostly the unpaid time of the Charity's Board of Directors, although their contribution is significant and vital to the current activities and continued future success of the Charity and its subsidiaries. The Electrical Industry has contributed without cost to the generation and updating of several Best Practice Guides, for which the Charity is grateful.

New Directors are provided with an induction by the Director General 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 are relevant to their roles with the Charity. Directors are also encouraged to attend relevant training seminars during the course of the year.

The Charity's strategy is 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 to the Charity's Executive Team the exercise of certain powers in connection with the management, administration and financial management of the Charity, with regular reporting on these matters to the Board.

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

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

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

The Boards of the trading subsidiaries comprise two Directors of the Charity, two non-executive Directors who are not Directors of the Charity, and two Executive Directors.

During the year a governance review was undertaken by consultants associated with the centre of Charity Effectiveness at the Cass Business School. Following this review the Charity's Board decided to dissolve the Monitoring Committee, which had been charged with oversight of the trading group, and to reappoint two Trustees to the Boards of the trading subsidiaries to provide improved oversight of the trading group's activities. Clear terms of reference have been established in relation to the trading group's activities alongside a scheme of delegated financial authority.

The Charity's sub-committees in operation during the year were:

- Technical Committee and The Standing Committee on Technical Matters
- Electrical Safety of Products Committee
- Finance and Management Committee
- Monitoring Committee (dissolved with effect from 6 January 2011)
- Group Policies
- Governance
- Pensions
- Campaigns Committee

PUBLIC BENEFIT

The Directors are mindful of their duties and the guidance provided by the Charity Commission to ensure that the Charity continues to provide public benefit which is delivered through its ongoing activities including:

- The operation of free of charge telephone and email help lines providing advice and guidance on electrical safety matters to all member of the general public.
- Maintenance of a range of websites including, dedicated websites targeted at both teenagers and children, providing information and education on electrical safety.
- Parliamentary lobbying for changes to legislation to improve electrical safety for all.
- Participating on national and international committees overseeing and developing electrical standards which aim to maintain and improve the safety of all users of electricity.
- Distributing electrical safety grants totaling £75K across the UK.
- Awarding £130K to local bodies across the UK for delivery of electrical fire prevention schemes.
- Dedicated campaigning activities targeted at increasing awareness and reducing risks to the general public.

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.

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

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

The Charity's mission is the safety of **all** users of electricity with a specific focus on:

- Improving the safety of electrical installations.
- Improving the safety of electrical products.
- Direct interventions and grants.

Charitable activities undertaken by the Charity's trading subsidiary, Ascertiva Group Limited, which support the Charity's safety objectives 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.
 - Running 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.

Activities and Outcomes for the Year

The main achievements were:

- The Charity's flagship '**Plug into Safety**' campaign was launched in May 2010. Its objective for the first year was to raise awareness of the benefits and uses of and to encourage the usage of RCD protection. The campaign achieved an increase of 10,000 in the number of consumer units with RCD protection installed in UK homes, over and above the number installed in the previous year.
- The Charity has been engaged in discussion with Department of Energy and Climate Change (DECC), Office of the Gas and Electricity Markets (OFGEM) and electrical supply industry bodies on electrical safety matters relating to the UK-wide smart meter programme, in particular:
 - The inclusion of an isolating switch in the smart meter design specification.
 - The fitting of a label in consumers' premises warning against storing combustible materials close to electrical intake equipment.

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

- Visual inspection by meter installers of consumers' electrical equipment adjacent to electrical intake equipment, and the issue of safety notices to occupiers where appropriate.
- The Charity continued to collaborate with the awarding body EAL to progress the development of a new technical qualification for persons reporting on the condition of electrical installations for domestic and similar installations.
- Research commissioned by the Charity concluded that electrical fires constitute a significant proportion of domestic fires, accounting for around 52% of all accidental fires in dwellings and that the economic impact of electrical fires is considerable at £113.2 million per year which is 41% of the total fire damage from all accidental fires.
- Developed two guidance leaflets to draw attention to the hazards associated with down lighters. One was targeted at householders which gave practical safety advice on selecting the correct type and rating of replacement lamps, and the other for electricians to help them select and install down lighters correctly.
- Continued to host the Product Safety Forum that enables the Council and Trading Standards officers throughout the UK to share information about electrical product safety issues on the Trading Standards Interlink system which is used frequently by Trading Standards officers across the UK.
- Supported ICPHSO to deliver its 2010 Product Safety Symposium on the theme of 'The Evolution of Product Safety in the EU and beyond'. The Charity led a plenary session relating to counterfeit electrical products and gave presentations on Injury data, and the application of EU policy and regulations for electrical products.
- The Product Investigation and Alert Programme identified four products as a priority for testing, which was undertaken in an independent laboratory. The test results have in some cases lead to the withdrawal of products from the market and the development by the charity of specific guidance and advice to purchasers and users of certain electrical products.
- Awarded £100K of funding to 23 successful applicants (169 applications received) including Fire & Rescue Services, Trading Standards and other consumer safety bodies across the UK, so that they could deliver their own local electrical fire prevention initiatives and activity. The funding directly benefited almost 18,000 people and helped to reach almost a million people. In addition 2,390 unsafe products, such as electric blankets and other small electrical appliances, were removed from use.
- Distributed £80K of funding UK-wide to 17 Home Improvement Agencies (sometimes known as Care & Repair or Staying Put schemes) through partnership working at local level. The funding has enabled 652 vulnerable older and/or disabled people to have urgent small-scale minor electrical works carried out, helping to make their homes safer and assisting them to remain living independently in their own homes.
- Developed two further the Best Practice Guides.

Other significant milestones attained were:

- The Roll of Approved Contractors grew by 2.5% to reach its highest ever level at 16,181.

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

- Our trading subsidiary ran over 400 electro-technical training courses which delivered electrical training to over 3,000 individuals.

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

Charitable Activities in Scotland

The Charity continued to develop and maintain its links with Scotland working with MSPs and other stakeholders to ensure messages about electrical safety are disseminated to as many Scottish consumers as possible. Seven Scottish consumer safety organisations received funding from the Charity's fire and safety fund, 17% of grant funding was awarded to Scottish bodies.

A landlord's guide to electrical safety in Scotland was published as part of the Charity's ongoing commitment to improve electrical safety in rented accommodation.

Many of the Charity's campaigns and activities have a nationwide remit throughout the UK.

Future Plans for 2011-12 include:

- Advocating for the inclusion of electrical installation condition reporting as a requirement for all private rented houses firstly in Scotland and then the wider UK.
- Lobbying for the retention of Part P (Electrical Safety) of the Building Regulations.
- Continuing to advocate for the introduction of statutory and/or self-regulation for the fitting of residual current devices in homes.
- Enhancing stakeholder engagement to build successful partnerships to reach consumers especially those at greater risk.
- Providing an online facility for consumers to search for registered electricians.
- Implementing an EU product safety campaign to encourage greater monitoring of products entering the UK market. This is intended to minimise the entry of substandard and counterfeit products into the UK.
- Positioning the Electrical Safety Council's website as a focal point for electrical product safety advice.
- Hosting the Charity's second International Product Safety Conference to raise the profile of its product safety activities in the UK, Europe and internationally.
- Developing new funding sources.
- Growing the Rolls of Approved Contractors and Domestic Installers.

Financial Position and Reserves

Overall Result

Despite the challenging economic climate the Group recorded a surplus of £325K, a noteworthy achievement and significantly ahead of the internal budget (excluding FRS 17 impacts) due to a significant above budget performance by the trading group and, represents a turnaround from the previous year's deficit of £815K.

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

Tight cost control and a pick up in revenues in the final quarter were significant contributors to the above budget trading group performance.

This has resulted in an increase in gift aid to £3,744K (2010: £3,313K).

Reserves have increased significantly from £1,769K to £13,780K mainly as a result of a significant reduction in the FRS 17 pension deficit. These reserves are wholly unrestricted.

Income

Total incoming resources increased by 3% to £34,273K and comprised £19,075K from charitable activities, most of which was generated by the trading group, and £14,970K from subsidiary funded activities. Income from charitable activities fell due to reduced demand for merchandising and publication material.

The Charity's income comprising interest on bank deposits and investment income of £202K was in line with the previous year despite a decline in investable assets.

Revenue from subsidiary funded activities at £14,970K increased by 11% mainly due to the development of new revenues streams particularly in the energy and environmental sectors.

Expenditure

Total outgoing resources £33,948K were in line with the previous year.

Charitable expenditure incurred in the Charity amounted to £4,106K an increase of 4% on the previous year. Almost all of the Group's trading activities are conducted in Ascertiva Group Limited with the exception of the joint venture activities in China undertaken by SNQA (SNQA is currently a subsidiary of National Quality Assurance Ltd).

Fixed Assets

Changes in tangible fixed assets are summarised in note 10 to the financial statements. Capital invested in fixed assets increased during the year due to expenditure on a new SAP IT system by the trading subsidiary, which project is ongoing.

Governance costs fell to £495K and represented less than 2% of total resources expended.

Pension Scheme

The FRS 17 pension deficit of £7.2M has reduced by £12.1M year on year due mainly to changes in some of the key underlying actuarial assumptions. The deficit was further reduced by the sponsoring employer's special deficit funding contribution of £1.5M. This deficit is calculated under current accounting standards and is of a long term (as well as variable) nature and does not require immediate significant outflow of cash.

The pension deficit impacts the Charity's short-term and medium-term cash flows by the funding arrangements agreed with the Pension Scheme Trustees. These comprise a £2M deficit funding contribution made in July 2009 with further commitments of £1.5M annually for each of the subsequent four years.

Outlook

The Group's budget for the current year is break-even (excluding FR17 impacts) as the Charity intends maintaining its current range of activities despite the continued difficult economic climate for customers of its trading group.

Cash, Investment Policy and Returns

Group cash and investment balances have fallen to £15,901K (2010: £16,140K).

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

The Charity's investment policy has as its objectives "to enhance, in so far as is reasonable, with the avoidance of undue risk, the real value of the capital." A total return of RPI plus 2% is targeted as a benchmark: in effect an absolute return strategy.

An investment portfolio of £6.7M of funds with a long term investment horizon is managed by two fund managers Cazenove and HSBC. Continued recovery in financial markets resulted in a return of £427K, 7%, on the portfolio comprising £286K of capital gains and £141K of income.

The investment policy is maintained under ongoing review in light of changing Group funding requirements include the pension scheme deficit, and significant capital expenditure projects. Subsequent to the year end, and following a review of investments, the cash allocation within the investment portfolio has been reduced.

The balance of investments relates to investment in subsidiaries and joint ventures.

Reserves and Risk Assessment

Risk management processes are now embedded in the day to day operations of the Charity and its main trading subsidiary each of which has its own risk register.

Risk registers are reviewed regularly by management to ensure both completeness and that the risk ratings and impacts remain appropriate. Changes in the risk registers are reported at Board meetings. The Finance and Management Committee reviews the Charity's risk register in detail and the high level trading group risk register annually. 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 reviewed the risk register and the systems that have been established to mitigate those risks. Identified critical risks including single source funding and the deficit on the Final Pension Salary Scheme. The Committee also recognises that assets such as fixed assets are not easily or quickly realised.

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 and campaigning activities;
- drive to improve electrical product and installation safety;
- commitment to technical excellence; and
- sufficient time to re-organise and dispose of long term assets in the event of a down turn.

The Board having received input from the Finance and Management Committee decided that the reserves target should remain three times discretionary charitable expenditure after provision has been made for designated investments in tangible fixed assets which cannot be easily liquidated and funding over five years of the actuarial pension deficit. Charity reserves currently approximate 75% or twenty seven months expenditure 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 credit 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 division's international customer base, but these

THE ELECTRICAL SAFETY COUNCIL DIRECTORS' REPORT (continued)

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. The Charity renewed its Investors in People accreditation during the year.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Charity and the Group and of the incoming resources and application of resources, including the net income or expenditure, of the Group for the year. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Directors are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005 and regulations made thereunder. They are also 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.

The Directors are responsible for the maintenance and integrity of the financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' Awareness Statement

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

Auditor

A resolution for the appointment of an auditor shall be proposed at a future Board meeting.



By order of the Board
Judith O'Connell
Company Secretary

17 August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF THE ELECTRICAL SAFETY COUNCIL

We have audited the group and parent charity financial statements ("the financial statements") of The Electrical Safety Council for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charity Balance sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 and to the charity's directors, as a body, in accordance with regulations made under section 44 of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's members and directors 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 charity, the charity's members as a body and the charity's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors (who are also trustees of the charity for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with those Acts. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the consolidated financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Charity's affairs as at 31 March 2011 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities and Trustee Investment Scotland Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF THE
ELECTRICAL SAFETY COUNCIL (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where regulations made under the Charities and Trustee Investment (Scotland) Act 2005 and where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept in respect of the parent Charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Charity financial statements do not accord with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- any information or explanation to which we are entitled has not been afforded to us.

PKF(UK) LLP

**David Pomfret (Senior Statutory Auditor)
for and on behalf of PKF (UK) LLP, Statutory Auditor
London, UK
7 August 2011**

PKF (UK) LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

THE ELECTRICAL SAFETY COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES YEAR ENDED 31 MARCH 2011 (incorporating Consolidated Income and Expenditure Account)

	Note	Unrestricted Funds £'000	Trading Subsidiaries £'000	2011 Total Funds £'000	<u>RECLASSIFIED</u> 2010 Total Funds £'000
<u>INCOMING RESOURCES FROM:</u>					
Generated Funds					
Investment Income	3	202	9	211	199
Turnover of Trading Subsidiaries	2	-	14,961	14,961	13,466
		202	14,970	15,172	13,665
Charitable Activities					
Certification Activities		-	14,588	14,588	14,487
Training Activities		-	1,156	1,156	1,066
Electrical Contractor Support Activities		-	3,331	3,331	3,960
		-	19,075	19,075	19,513
Other Incoming Resources		26	-	26	4
TOTAL INCOMING RESOURCES		228	34,045	34,273	33,182
<u>RESOURCES EXPENDED :</u>					
Cost of Generating Funds					
Investment Management Costs		54	-	54	46
Fundraising Costs		11	-	11	9
Trading Costs	2	-	14,777	14,777	13,045
		65	14,777	14,842	13,100
Charitable Activities					
Installation Safety		2,676	-	2,676	2,180
Product Safety		849	-	849	1,345
Grants and Direct		581	-	581	408
Certification Activities		-	11,082	11,082	11,087
Training Activities		-	1,061	1,061	1,079
Electrical Contractor Support Activities		-	2,481	2,481	3,348
		4,106	14,624	18,730	19,447
Governance Costs		495	-	495	562
Other resources expended		26	(145)	(119)	888
TOTAL RESOURCES EXPENDED		4,692	29,256	33,948	33,997
NET INCOMING / (OUTGOING) RESOURCES					
Net Investment Gains	7	(4,464)	4,789	325	(815)
Actuarial Gains /(Losses) on Pension Scheme	11	286	-	286	845
Transfer of Gift Aid	16	11,400	-	11,400	(7,400)
		3,744	(3,744)	-	-
NET MOVEMENT IN FUNDS		10,966	1,045	12,011	(7,370)
Total Funds at 1 April 2010				1,769	9,139
Total Funds at 31 March 2011				13,780	1,769

All funds are unrestricted. All recognised gains and losses are included above. All amounts are derived from continuing activities. For the purposes of the Companies Act, net income for the year is £325K (2010: £(815)K outgoing).

THE ELECTRICAL SAFETY COUNCIL
BALANCE SHEETS AS AT 31 MARCH 2011

	Note			<u>Restated</u>	
		<u>Group</u> 2011 £'000	<u>Charity</u> 2011 £'000	<u>Group</u> 2010 £'000	<u>Charity</u> 2010 £'000
FIXED ASSETS :					
Intangible Assets	9	528	-	1,077	-
Tangible Assets	10	7,715	6,409	6,929	6,573
Investments	11	7,842	6,979	7,225	6,580
		16,085	13,388	15,231	13,153
CURRENT ASSETS :					
Stocks		487	-	383	-
Debtors	12	4,520	2,418	3,540	840
Cash at Bank and in Hand		9,182	6,581	9,820	8,449
		14,189	8,999	13,743	9,289
CURRENT LIABILITIES :					
Amounts Falling Due Within One Year	13	(9,294)	(260)	(7,905)	(631)
NET CURRENT ASSETS :					
		4,895	8,739	5,838	8,658
TOTAL ASSETS LESS CURRENT LIABILITIES:					
		20,980	22,127	21,069	21,811
DEFINED BENEFIT PENSION SCHEME LIABILITY					
	16	(7,200)	(7,200)	(19,300)	(19,300)
		13,780	14,927	1,769	2,511
RESERVES					
UNRESTRICTED INCOME FUNDS					
		20,980	22,127	21,069	21,811
PENSION RESERVE	16	(7,200)	(7,200)	(19,300)	(19,300)
TOTAL RESERVES		13,780	14,927	1,769	2,511

Approved by the Board of Directors and authorised for issue on 17 August 2011, and signed on their behalf by:



W H Wright - Chairman

THE ELECTRICAL SAFETY COUNCIL

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2011

	2011	2010
	£'000	£'000
CASH FLOW STATEMENT		
Net cash inflow / (outflow) from operating activities (per note A below)	162	(3,119)
Returns on investments and servicing of finance (per note B below)	669	513
Capital expenditure and financial investment (per note C below)	(1,469)	(2,300)
(Decrease) in Cash in Year	(638)	(4,906)

	At 1 April	Cashflow	At 31 March
	2010	Movement	2011
	£'000	£'000	£'000
Cash at bank and in hand	9,820	(638)	9,182

CASHFLOW STATEMENT NOTES

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

Net incoming / (outgoing) resources	325	(815)
Interest received and investment income	(211)	(199)
Profit on sale of fixed assets	(3)	(11)
Depreciation and amortisation	1,120	842
FRS 17 Pension operating movement	(700)	(1,500)
Share of joint venture profit	(675)	(450)
Goodwill acquired by NQA Inc	-	42
(Increase) / Decrease in stocks	(104)	258
(Increase) in debtors	(980)	(115)
Increase / (Decrease) in creditors	1,390	(1,171)
Net Cash (Outflow) Inflow from Operating Activities	162	(3,119)

B. Returns on Investment and Servicing of Finance

Interest received	97	84
Investment Income	114	115
Distribution from Joint Venture	458	314
	669	513

C. Capital Expenditure and Financial Investments

Purchase of fixed assets	(1,359)	(222)
Sale of fixed assets	3	11
Purchase of investments	(1,858)	(3,492)
Investments disposal proceeds	1,745	1,403
	(1,469)	(2,300)

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

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, Ascertiva 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 408 of the Companies Act 2006 and paragraph 397 of the SORP, a separate income and expenditure account is not presented in respect of the charitable company. The Charity's gross income for the year was £4,887K (2010 - £5,093K) and the result was £795K surplus (2010 - £37K 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. The reclassification on the SOFA is due to a change in the allocation of costs.

(e) Stocks

Stocks, which consist of publications and certificates for sale, are stated at the lower of cost and net realisable value. Work in progress is now included within stocks, the balance sheet has been restated to reflect this.

(f) Depreciation

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

Capitalised Software	- Over 5 years
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.

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

1 ACCOUNTING POLICIES (Continued)

(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.

Other 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.

(j) 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.

(k) Pension Costs

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

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 Statement of Financial Activities 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 Statement of Financial Activities.

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 Scheme is a "Stakeholder Scheme" whereby participating employees have individual contracts with an insurance company providing a range of investment alternatives.

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

2 NET INCOME FROM TRADING ACTIVITY OF SUBSIDIARIES

The three trading divisions of Ascertiva Group Ltd operating during the year were:

- NQA Division - 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, amongst other quality standards.
- NICEIC Electrotechnical Division carried out the inspection and assessment of NICEIC enrolled contractors for both the Approved Contractor and Domestic Installer Schemes.

This division also includes:

- NICEIC Direct which sells certificates, publications and other goods.
- The training of electrical contractors.
- NICEIC Certification Division is an accredited personal certification body and also carries out the inspection and assessment of the Microgeneration Scheme.

3 INVESTMENT INCOME AND INTEREST

	<u>2011</u> £'000	<u>Group</u> <u>2010</u> £'000
Bank interest	70	84
Investment income	141	115
	211	199

4 SUPPORT COSTS ANALYSIS

	Management £'000	Finance £'000	Information Technology £'000	Human Resources £'000	TOTAL 2010/11 £'000	TOTAL 2009/10 £'000
COST OF GENERATING FUNDS	-	20	13	2	35	29
CHARITABLE ACTIVITIES						
Installation Safety	39	4	52	5	100	89
Product Safety	39	4	13	1	57	53
Grants	39	4	7	1	51	-
Certification Activities	504	194	503	50	1,251	1,098
Training Activities	79	35	65	7	186	160
Electrical Contractor Support Activities	79	35	65	7	186	160
Industry Monitor	-	-	-	-	-	46
GOVERNANCE	8	52	13	1	74	64
TOTAL SUPPORT COSTS	787	348	731	74	1,940	1,699

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

4 SUPPORT COSTS ANALYSIS (continued)

Cost allocation includes an element of judgment 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 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

	<u>Charity</u>		<u>Group</u>	
	<u>2011</u> £'000	<u>2010</u> £'000	<u>2011</u> £'000	<u>2010</u> £'000
Staff costs				
Wages and salaries	1,271	1,246	13,055	12,833
Agency salaries	4	25	191	360
Social security costs	133	132	1,322	1,374
Pension costs	149	163	1,770	1,681
Healthcare plan	10	12	126	118
	<hr/>	<hr/>	<hr/>	<hr/>
	1,567	1,578	16,464	16,366
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The average number of staff employed during the period was 347 (2010: 344). This includes 320 (2010: 304) staff employed by subsidiary companies and 27 (2010: 24) staff employed by the Charity as of 31 March 2011.

6 EMOLUMENTS OF EMPLOYEES AND DIRECTORS

In 2011 the highest paid employee received £186,696 (2010: £186,750), excluding pension contributions, but including bonus and benefits.

Other employees who received total emoluments of greater than £60,000, twenty four of whom participated in the Defined Benefit Pension Scheme, fell into the following bands:

	<u>2011</u>	<u>2010</u>
£60,001 to £70,000	14	12
£70,001 to 80,000	4	5
£80,001 to £90,000	5	3
£90,001 to £100,000	2	-
£100,001 to £110,000	2	3
£120,001 to £130,000	1	2
£150,001 to £160,000	1	-
	<hr/>	<hr/>
	29	25
	<hr/> <hr/>	<hr/> <hr/>

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

7 NET INCOMING / (OUTGOING) RESOURCES	2011 £'000	2010 £'000
The Group's net incoming/(outgoing) resources are stated after charging/(crediting):		
Audit fees	44	38
Non audit fees paid to auditors	34	32
Amortisation of goodwill	380	380
Impairment of goodwill	169	-
Depreciation of tangible fixed assets	571	462
Operating lease charges:		
Land and buildings	80	159
Plant, machinery and vehicles	772	824
(Profit) on sale of fixed assets	(3)	(11)
Restructuring	-	888
Taxation	31	22

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	2011 £'000	2010 £'000
At 1 April 2010	1,077	1,457
Amortisation for the year	(380)	(380)
Impairment	(169)	-
At 31 March 2011	528	1,077

The impairment cost of £169K represents the write off of goodwill on JPD Group Limited. The economic climate has adversely impacted the demand for services provided under this brand and it has therefore been decided to expense the remaining goodwill.

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

10 TANGIBLE FIXED ASSETS

Group

<u>ORIGINAL COST</u>	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Office & IT equipment £'000	Computer software £'000	Vehicles £'000	TOTAL £'000
B/fwd	7,619	156	3,631	-	79	11,485
Additions	18	-	283	1,058	-	1,359
Disposals	-	(65)	(808)	-	(25)	(898)
C/fwd	7,637	91	3,106	1,058	54	11,946
<u>DEPRECIATION</u>						
B/fwd	1,087	146	3,244	-	79	4,556
Charge	160	7	318	86	-	571
Disposals	-	(65)	(806)	-	(25)	(896)
C/fwd	1,247	88	2,756	86	54	4,231
<u>NET BOOK VALUE</u>						
As at 31 March 2010	6,532	10	387	-	-	6,929
As at 31 March 2011	6,390	3	350	972	-	7,715

Land, which is not depreciated, amounted to £710,000 (2010: £710,000)

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

10 TANGIBLE FIXED ASSETS (Continued)

Charity

<u>ORIGINAL COST</u>	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Office & IT equipment £'000	Vehicles £'000	TOTAL £'000
B/fwd	7,619	34	145	25	7,823
Additions	18	-	6	-	24
Disposals	-	-	(91)	(25)	(116)
C/fwd	7,637	34	60	-	7,731
 <u>DEPRECIATION</u>					
B/fwd	1,087	24	108	25	1,244
Charge	160	7	27	-	194
Disposals	-	-	(91)	(25)	(116)
C/fwd	1,247	31	44	-	1,322
 <u>NET BOOK VALUE</u>					
As at 31 March 2010	6,532	10	37	-	6,579
As at 31 March 2011	6,390	3	16	-	6,409

Land, which is not depreciated, amounted to £710,000 (2010: £710,000)

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

11 INVESTMENTS

Group	<u>2011</u> £'000	<u>2010</u> £'000
Joint Ventures:		
At 1 April 2010	905	811
Share of profit for the year	676	450
Acquisition by NQA Inc (inc covenant)	-	(42)
Less: remitted to the Group	(458)	(314)
At 31 March 2011	1,123	905
Share of Joint Ventures represented by:		
Fixed assets	166	194
Current assets	3,066	2,611
Goodwill	251	243
Creditors	(2,360)	(2,143)
	1,123	905
 Other Investments		
	<u>2011</u>	<u>2010</u>
	£'000	£'000
Market value as at 1 April 2010	4,824	3,124
Purchases (at cost)	2,681	2,258
Disposal proceeds	(1,745)	(1,403)
Net investments gains	286	845
	6,046	4,824
Cash balances held by investment managers	673	1,496
Market value at 31 March 2011	6,719	6,320
Historical cost as at 31 March 2011	5,948	4,913
Other investments are represented by:		
UK fixed interest securities	431	321
Overseas fixed interest securities	393	156
UK Equities	2,339	1,785
Overseas Equities	829	676
UK Bonds	949	927
Hedge Funds	784	959
Property	198	-
Commodities	123	-
Cash securities	673	1,496
Market value as above	6,719	6,320
Investments Total (Group)	7,842	7,225

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

11 INVESTMENTS (Continued)

The following investments represent over 5% of the total investment value:

UK Equities
Growth Trust for Charities £2,339K

UK Bonds
Income Trust for Charities £402K

Charity	<u>2011</u> £'000	<u>2010</u> £'000
Subsidiaries	260	260
Other Investments	6,719	6,320
Investments Total (Charity)	6,979	6,580

Ascertiva Group Limited is entitled to 49.9% 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. This joint venture group carries out certification services, and training and laboratory services. NQA is entitled to 49.9% of any profits arising from the joint venture.

National Quality Assurance Limited also owns 50% of the share capital of Shanghai NQA Certification Co Limited. This joint venture carries out management system certification services.

Disclosures in relation to joint ventures above have not been shown on the face of the balance sheet or the statement of financial activities as required by FRS 9, on the basis that the amounts are not material. The share of turnover of joint ventures amounted to £10,927K (2010 - £7,831K).

12 DEBTORS	Group <u>2011</u> £'000	Charity <u>2011</u> £'000	Group <u>2010</u> £'000	Charity <u>2010</u> £'000
Trade debtors	3,105	3	2,361	-
Other debtors	53	14	53	8
Prepayments	639	68	799	142
Accrued income	555	4	129	7
Amount due from subsidiary undertakings	-	2,242	-	555
Social Security and Other Taxes	-	87	-	128
Corporation tax recoverable	24	-	23	-
Deferred tax	144	-	175	-
	4,520	2,418	3,540	840

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

13 CREDITORS	Group 2011 £'000	Charity 2011 £'000	Group 2010 £'000	Charity 2010 £'000
Amounts falling due within one year				
Trade creditors	2,865	160	1,864	475
Social security and other taxes	608	-	420	-
Accruals and deferred income	5,821	100	5,621	76
Amount due to subsidiary undertakings	-	-	-	80
	9,294	260	7,905	631
	9,294	260	7,905	631

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

14 LEASING COMMITMENTS

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

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Charity				
Expiring within one year	9	10	-	13
Expiring within two to five years inclusive	-	66	34	28
Expiring after five years	5	-	36	-
	14	76	70	41
	14	76	70	41
Group				
Expiring within one year	13	126	-	193
Expiring within two to five years inclusive	-	474	41	442
Expiring after five years	5	-	36	-
	18	600	77	635
	18	600	77	635

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

15 INSURANCE

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

16 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 with Legal and General. 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 2008 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 2011	31 March 2010
Inflation rate	3.6%	3.7%
Discount factor for liabilities	5.5%	5.5%
Expected return on assets	6.7%	7.2%
Expected rate of salary increases	3.6%	5.7%
Rate of pension increases in payment for pre 1 April 2007 service	3.4%	3.5%
Rate of pension increases in payment for post 31 March 2007 service	2.3%	2.3%
Rate of pension increases in deferment	3.6%	3.7%

The assets of the scheme and the expected rates of return at 31 March 2011 are:

	Value <u>2011</u> £m	Expected long term <u>return</u>	Value <u>2010</u> £m	Expected long term <u>return</u>
Equities	33.7	7.7%	31.3	8.2%
Bonds	14.2	4.5%	11.5	4.6%
Cash	0.6	4.2%	0.6	4.3%
	48.5		43.4	
	48.5		43.4	

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

16 PENSION SCHEME (Continued)

Post retirement mortality assumptions are in line with the standard base tables shown below:

	2011	2010
Contributors and deferred pensioners*:		
Males	PMA92CO8	PMA92CO8
Females	PFA92CO8	PFA92CO8
 Pensioners:		
Males	PMA92CO8	PMA92CO8
Females	PFA92CO8	PFA92CO8

* adjusted if retirement is on ill health grounds

As per the prior year an allowance has been made in 2011 for improvements in mortality in line with the medium cohort improvement rates, together with a 1% pa minimum rate of improvement. The allowances for improvements apply from calendar year 2008 and affect the assumed rates of mortality in 2009 and all future years.

In 2008, an allowance was made for future improvements in mortality by reducing the headline discount rate by 0.2% pa.

The age difference (husband - wife) is assumed to be 3 years.

The proportion of members assumed to be married depends on age at retirement and is 93% for males and 80% for females at age 63.

The actual return on scheme assets over the period was:

	2011	2010
	£m	£m
Expected return on scheme assets	3.2	2.1
Asset gain /(loss)	0.1	9.2
 Total	3.3	11.3
	3.3	11.3

Reconciliation of opening and closing balances of the present value of the scheme liabilities:

	2011	2010
	£m	£m
Scheme liabilities as at 1 April 2010	62.7	43.0
Interest cost	3.4	2.7
Current service cost (net of member contributions)	2.1	1.5
Actual member contributions	0.6	0.7
Actual benefit payments from the fund	(1.8)	(1.8)
(Gain) / Loss on change of assumptions	(11.3)	17.1
Experience gain	0.0	(0.5)
 Scheme liabilities as at 31 March 2011	55.7	62.7
	55.7	62.7

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

16 PENSION SCHEME (Continued)

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	2011	2010
	£m	£m
Market value as at 1 April 2010	43.4	29.6
Actual total benefit payments	(1.8)	(1.8)
Actual contributions – company	3.0	3.6
Actual contributions – members	0.6	0.7
Expected return on assets	3.2	2.1
Gain on assets	0.1	9.2
	48.5	43.4
	48.5	43.4

Analysis of amounts recognised in SoFA

	2011	2010
	£m	£m
Current service cost	2.1	1.5
	2.1	1.5

Analysis of amounts credited to other finance income

Interest on scheme liabilities	3.4	2.7
Expected return on scheme assets	(3.2)	(2.1)
	0.2	0.6
Total chargeable to Consolidated SoFA	2.3	2.1

Analysis of amounts recognised in gains or losses in SOFA

	2011	2010
	£m	£m
Gain on assets	(0.1)	(9.2)
Experience gain on liabilities	(0.0)	(0.5)
(Gain) / Loss on change of assumptions	(11.3)	17.1
	(11.4)	7.4
Total actuarial (gain)/loss recognised in gains or losses	(11.4)	7.4

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

16 PENSION SCHEME (Continued)

Amounts recognised in the balance sheet as at 31 March 2011 are:

	<u>2011</u> £m	<u>2010</u> £m
Fair value of assets	48.5	43.4
Present value of liabilities	(55.7)	(62.7)
	(7.2)	(19.3)

Analysis of actuarial (loss) / gain in the SOFA

	2011 £m / %	2010 £m / %	2009 £m / %	2008 £m / %	2007 £m / %
Gain / (loss) on scheme assets	0.1 0.2%	9.2 (21.2%)	(12.4) (41.9%)	(6.3) (16.6%)	(0.7) (1.8%)
Experience gains and losses arising on scheme liabilities	- -	0.5 0.8%	1.0 2.3%	0.3 0.8%	- -
Change in assumptions underlying the present value of the scheme liabilities	11.3 20.3%	(17.1) 27.3%	3.8 12.8%	4.9 12.9%	1.6 3.6%
Actuarial gain / (loss) recognised in SOFA	11.4 20.4%	(7.4) 11.8%	(7.6) 18.1%	(1.1) 2.1%	0.9 2.0%

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

Amounts estimated for 2012:

	£m
Expected benefits paid by the company for the year ending 31 March 2012	1.9
Expected company contributions for the year ending 31 March 2012	3.0
Expected member contributions for the year ending 31 March 2012	0.6

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.

A Stakeholder (Defined Contribution) Scheme, administered through Friends Provident, was created for all members of staff joining after 31 December 2006, which allows flexibility in investment choice by the employee. The Company doubles and matches contributions made by the employee to a maximum contribution by the Company of 10% of salary.

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

17 CAPITAL COMMITMENTS

Authorised capital expenditure which was contracted for but not provided in these accounts was as follows:

- Car Park extension and improvements £42,700.
- Balance of SAP computer software and implementation £179,288.

18 RELATED PARTY TRANSACTIONS

With respect to NQA USA Inc. Ascertiva 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.

	<u>NQA USA Inc.</u>	
	<u>2011</u>	<u>2010</u>
	<u>£'000</u>	<u>£'000</u>
Charged by NQA Division		
Certification fees	393	408
Reimbursable expenses	36	20
Charged to NQA Division		
Reimbursable expenses	23	36

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.

Mr Empson, a director of Ascertiva Group Limited, received fees amounting to £2,146 (2010 £4,545) for advisory and other services provided to the Council.

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

During the year expenses were reimbursed to six Trustees amounting to £10,806 (2010 – seven Trustees amounting to £6,260) and expenses of £6,439 were paid directly on behalf of Trustees.

Mr McGuinness, a Trustee of the Charity, is also the Managing Director of The Electrical Contractors Association of Scotland (SELECT). The Charity was one of the sponsors of SELECT's Electrotechnical annual awards. The office occupied by the Charity in Scotland is leased from SELECT.

19 STATUS OF COMPANY

- a) The Electrical Safety Council is a Charity in England and Wales with the registration number 257376. It also has Charity status in Scotland with the registration number SC039990. No UK taxation is 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.

THE ELECTRICAL SAFETY COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

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.

<u>Subsidiaries</u>	<u>Country of Incorporation</u>	<u>Class of share</u>	<u>Parent Company's Interest</u>	
			<u>Direct</u>	<u>Indirect</u>
Ascertiva Group Limited (Formerly NICEIC Group Ltd)	Great Britain	Ordinary	100%	-
National Quality Assurance Limited	Great Britain	Ordinary	100%	-
JPD Group Limited	Great Britain	Ordinary	-	100%
Ascertiva India Private Ltd	India	Ordinary	-	99%
 <u>Joint Ventures</u>				
Shanghai NQA Certification Company Limited	China	Ordinary	-	50%
NQA Inc	USA	Ordinary	-	49.9%