

BUILDING RESEARCH ESTABLISHMENT LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 MARCH 2017



Company Registration Number: 03319324

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

Registered office: Bucknalls Lane
Garston
Watford
Hertfordshire
WD25 9XX

Bankers: Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors: Sherrards
45 Grosvenor Road
St Albans
Hertfordshire
AL1 3AW

Independent Auditors: Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

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BUILDING RESEARCH ESTABLISHMENT LIMITED

REPORT OF THE DIRECTORS For the year ended 31 March 2017

The Directors have pleasure in presenting their report for the year ended 31 March 2017.

Directors

Directors who held office during the year until the date of signing these accounts are set out below:

Dr Peter William Bonfield
Niall Gerard Trafford
Jatinder Kaur Brainch (Appointed 15 June 2016)
Russell Heusch (Resigned 4 July 2016)
Guy Philip Hammersley (resigned 31 March 2017)

Results and dividends

The results for the Company show a loss on ordinary activities of £2,312k (2016: £1,198k loss) for the year on turnover of £19,570k (2016: £20,655k). The Directors do not intend to declare a dividend for the year ended 31 March 2017 (2016: £nil).

Political and charitable donations

The company made no political or charitable donations during the year (2016 £nil).

Going Concern

The activities of the Company are wholly aligned with the charitable activities of its ultimate parent undertaking, BRE Trust. Whilst the Company recorded a loss in this financial year, it maintains strong reserves excluding the impact of the pension deficit. The Company have an agreed deficit reduction plan which is designed to get the scheme to self sufficiency by 2030.

The Company is well placed to manage the business risk it faces. This position is supported by its strong reputation both nationally and in the international arena, the continuing productisation and digitisation of its services and a proven ability to secure and retain new customers. The directors therefore have a reasonable expectation that the organisation has sufficient resources to continue in operational existence for the foreseeable future and believe that there are no material uncertainties that call into doubt the ability of BRE to continue as a going concern.

Our planning processes, including financial projections, take into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP resigned as auditor on 17 March 2017 and Crowe Clark Whitehill LLP were appointed on 31 March 2017. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Crowe Clark Whitehill LLP will therefore continue in office.

BY ORDER OF THE BOARD



Jatinder Kaur Brainch
Director 6/12/17

Company Registration Number: 03319324

December 2017

BUILDING RESEARCH ESTABLISHMENT LIMITED

STRATEGIC REPORT

For the year ended 31 March 2017

Principal activity

The principal activity of the company is to provide independent advice and information on building performance, construction and fire safety in the United Kingdom.

Review of the business

The company made an operating loss of £978k for the year (2016: £217k profit). In a year of significant investment to underpin growth, the Directors consider the operating loss achieved on ordinary activities to be satisfactory given the reduction in turnover. On 14 July 2016 part of the land at BRE HQ site in Garston was sold resulting in a taxable chargeable gain and a corporation tax charge amounting to £62k (2016: £nil).

Risks

The risk management process in BRE seeks to enable the early identification, evaluation and effective management of the key risks facing the business at operational level and to operate internal controls, which adequately mitigate these risks. The company regularly assesses its risk management activities to ensure good practice in all areas. BRE is ISO 9001 accredited.

Credit risk

The principal risk and uncertainty affecting the business outside of the current economic climate is credit risk. The business is exposed to counterparty credit risk when dealing with customers and from certain financing activities. The Company maintains strong relationships with each of its key customers and has established credit control parameters. Credit evaluations are performed on all customers requiring significant credit. Outstanding debts are continuously monitored by each business. Concentrations of credit risk are limited as a result of the large and diverse customer base.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Company are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists.

Brexit

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union ("EU"), (commonly referred to as "Brexit"). The longer term political and economic effects of the result are unclear at the date of these financial statements. Article 50 of the Lisbon Treaty, which was triggered on 29 March 2017 by the British Government means that Britain should leave the EU no later than April 2019. BRE Global has actively communicated with customers, staff and other key stakeholders regarding our commitment to protecting our position within the EU. Plans are well advanced with regards to the establishment of a new business within the EU that will protect our ability to serve this market.

Personnel policies

The company has instituted means of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through open meetings, newsletters, blogs and consultations with employee representatives. Employment policies aim to provide equal opportunities, irrespective of sex, race, religion or marital status. Applications by disabled persons are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria apply to disabled persons for training, career development and promotion as to any other employee. If any employee becomes disabled, every effort is made to ensure their continued employment by providing adequate facilities, offering an alternative job or providing retraining where necessary.

BUILDING RESEARCH ESTABLISHMENT LIMITED

STRATEGIC REPORT

For the year ended 31 March 2017

Environmental

As much of BRE's core business is directly connected with helping others to improve their environmental performance and the environment around them, it is essential for BRE to practice what it preaches and thus ensure that its operations and activities are being managed in a way which is both energy and resource-efficient. To this end the BRE Group's sustainability strategy – known as the 'S Plan' sets out a programme of continuous improvement across eight key areas of sustainability: carbon dioxide (CO2) emissions; resource efficiency; supply chain engagement; transport; community engagement; ecology; water; and information systems.

Further, we have continued to build on our S Plan objectives to reducing the overall environmental impact of the BRE Group's operations with the introduction of a local bus service directly on to our Garston campus and the installation of multiple charging points for electric vehicles.

BY ORDER OF THE BOARD



Jatinder Kaur Brainch
Director 6/12/17

Company Registration Number: 03319324

December 2017

BUILDING RESEARCH ESTABLISHMENT LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS For the year ended 31 March 2017

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law). Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BUILDING RESEARCH ESTABLISHMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUILDING RESEARCH ESTABLISHMENT LIMITED

We have audited the financial statements of Building Research Establishment Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and the related notes set out pages 10 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 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

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

BUILDING RESEARCH ESTABLISHMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUILDING RESEARCH ESTABLISHMENT LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

N. Hashemi
Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

13 December 2017

BUILDING RESEARCH ESTABLISHMENT LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	2	19,570	20,655
Staff costs	4	(16,503)	(16,361)
Depreciation of tangible assets	11	(1,012)	(959)
Amortisation of intangible assets	10	(717)	(476)
Operating expenses		(9,435)	(11,522)
Other operating income	6	7,119	8,880
Operating (loss)/profit	3	(978)	217
Interest payable	7	(33)	(33)
Other finance costs	8	(1,301)	(1,382)
Loss on ordinary activities before taxation		(2,312)	(1,198)
Tax (charge)/credit	9	(62)	305
Loss for the financial year		(2,374)	(893)
Other comprehensive (cost)/income:			
Remeasurement of net defined benefit liability		(14,420)	2,554
Revaluation of tangible fixed assets		3,186	3,244
Total other comprehensive (cost)/income		(11,234)	5,798
Total comprehensive (loss)/income for the financial year		(13,608)	4,905

The accompanying notes on pages 10 to 28 form an integral part of these financial statements.

BUILDING RESEARCH ESTABLISHMENT LIMITED**BALANCE SHEET**
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	10	1,166	1,516
Tangible assets	11	22,644	29,690
Investments	12	127	-
		<u>23,937</u>	<u>31,206</u>
Current assets			
Debtors	13	15,719	8,277
Cash		2,828	-
Creditors: amounts falling due within one year	14	<u>(16,070)</u>	<u>(11,956)</u>
Net current assets/(liabilities)		<u>2,477</u>	<u>(3,679)</u>
Total assets less current liabilities		<u>26,414</u>	<u>27,527</u>
Provisions for liabilities	15	(2,099)	(3,053)
Deferred capital grant	16	(400)	(431)
Net assets excluding pension liabilities		<u>23,915</u>	<u>24,043</u>
Pension scheme liabilities	19	(51,768)	(38,288)
Net liabilities including pension liabilities		<u>(27,853)</u>	<u>(14,245)</u>
Capital and reserves			
Share capital	17	-	-
Share premium	18	5,000	5,000
Profit and loss account	18	(44,388)	(35,853)
Revaluation reserve	18	11,535	16,158
Other reserves	18	-	450
Shareholder's deficit	17	<u>(27,853)</u>	<u>(14,245)</u>

The accompanying notes on pages 10 to 28 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 6 December 2017.



Jatinder Kaur Brainch
Director
Company Registration Number: 03319324

BUILDING RESEARCH ESTABLISHMENT LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2017

	Share Capital	Share Premium	Profit and Loss account	Revaluation Reserve	Other Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	-	5,000	(37,964)	12,914	900	(19,150)
Profit for the year	-	-	(893)	-	-	(893)
Remeasurement of net defined benefit liability	-	-	2,554	-	-	2,554
Revaluation of land	-	-	-	3,244	-	3,244
Transfer (negative goodwill)	-	-	450	-	(450)	-
At 31 March 2016	-	5,000	(35,853)	16,158	450	(14,245)

	Share Capital	Share Premium	Profit and Loss account	Revaluation Reserve	Other Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	-	5,000	(35,853)	16,158	450	(14,245)
Loss for the year	-	-	(2,374)	-	-	(2,374)
Remeasurement of net defined benefit liability	-	-	(14,420)	-	-	(14,420)
Revaluation of land	-	-	-	3,186	-	3,186
Transfer on disposal of land	-	-	7,809	(7,809)	-	-
Transfer (negative goodwill)	-	-	450	-	(450)	-
At 31 March 2017	-	5,000	(44,388)	11,535	-	(27,853)

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 Accounting policies

Company information

Building Research Establishment Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The company is registered at Companies House England and Wales (registered number 03319324). The address of its registered office is Bucknalls Lane, Garston, Watford, Hertfordshire, WD25 9XX.

The Company's ultimate parent undertaking is BRE Trust, a charitable company limited by guarantee registered in England, and therefore forms part of a public benefit group.

Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are held at a revalued amount in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) and the Companies Act 2006. The presentation currency of these financial statements is sterling. The principal accounting policies are set out below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objections to, the use of exemptions by the company's shareholders and immediate parent.

The company has taken advantage of the following exemptions:

- No statement of cash flows has been presented, as it is included in the consolidated financial statement of the group.
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- Related party transactions have not been disclosed with other members of the group.
- Remuneration of key management personnel is included in the consolidated financial statements of the group

Basis of consolidation

Building Research Establishment Limited, as a wholly owned subsidiary of BRE Group Limited and the ultimate parent undertaking and controlling party being BRE Trust, is exempt by virtue of s400 of the Companies Act 2006 from preparing consolidated financial statements. Consequently, these financial statements only present information about the company. Note 23 sets out details of the Company's subsidiaries and associate undertakings.

Going concern

The activities of the Company are wholly aligned with the charitable activities of its ultimate parent undertaking, BRE Trust. The Company is well placed to manage the business risk it faces. This position is supported by its strong reputation both nationally and in the international arena, the continuing productisation and digitisation of its services and a proven ability to secure and retain new customers. The directors therefore have a reasonable expectation that the organisation has sufficient resources to continue in operational existence for the foreseeable future and believe that there are no material uncertainties that call into doubt the ability of BRE to continue as a going concern.

Our planning processes, including financial projections, take into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. We acknowledge the Company's pension fund obligations and have a clear strategy to manage the deficit, which includes a deficit reduction plan which is designed to get the scheme to self sufficiency by 2030.

Intangible assets

In accordance with FRS 102 purchased goodwill is capitalised and amortised on a straight line basis over its useful economic life, which is determined on a case by case basis, but generally does not exceed 5 years.

Negative goodwill arising on business combinations since 1 April 1998 is included in intangible assets and released to the profit and loss account over the period in which the fair values of the non- monetary assets purchased on the same acquisitions are recovered whether through depreciation or sale. Any negative goodwill

1 Accounting policies (continued)

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

in excess of the values of the non-monetary assets is written back in the profit and loss account over the period negative goodwill will benefit the company.

Expenditure incurred to develop and purchase software and purchase licence agreements is capitalised and written off over the useful economic life of the asset and will not exceed 20 years.

Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the company and the income can be reliably measured. Income is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Income is recognised when work is performed. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover reflecting the proportion of work completed to date on the project.

Expenditure

Resources expended are accounted for when incurred. Costs and overhead are directly allocated to activities for generating funds.

Tangible fixed assets and depreciation

Tangible fixed assets above £1,000 and all computers are capitalised and stated at cost or valuation less depreciation. Annual impairment reviews are performed. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life on a straight line basis, as shown below:

Leasehold improvements	8 years
Freehold buildings	5-20 years
IT equipment (Plant + Machinery)	3 years
Telecommunications equipment (Plant + Machinery)	10 years
Other plant and machinery (Plant + Machinery)	7 years
Fixtures and fittings	7 years
Commercial vehicles and cars (Motor Vehicles)	3-6 years
Fork lift trucks (Motor Vehicles)	10 years

No depreciation is provided on freehold land.

Long term contracts

Amounts recoverable on long term contracts (work done not invoiced), which are included in debtors, are stated at the net sales value of the work done after making provision for contingencies and anticipated future losses on contracts and deducting amounts received as payments on account.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Within provisions is an amount for enhanced redundancy benefits where employees over 50 years of age can, under TUPE rules, translate part of their redundancy entitlement into an annual compensation payment a provision is made for the future amounts payable over the estimated life expectancy of the ex-employees.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 Accounting policies (continued)

Taxation

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Basic financial instruments

Debtors

Debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financial transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Creditors

Creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any exchange differences are dealt with through the profit and loss account.

Research and development

All research expenditure is charged to the profit and loss account in the period in which it is incurred. The development costs incurred in the creation of new software products and tools are capitalised under intangibles.

Post-retirement benefits

Building Research Establishment Limited operates a defined benefit pension schemes providing benefits based on final pensionable pay. The BRE Pension Scheme was closed to future accrual at 28 February 2007 and the LPC scheme at 31 March 2009. The two schemes were merged together during the year ended 31 March 2016 forming the BRE and LPC Pension Scheme. The assets of the scheme are held separately from those of the Company and its trading subsidiaries.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The liabilities shown for this FRS102 valuation represent an update of the latest Triennial Actuarial Valuation for the BRE section as at 1 October 2014 and the LPC section as at 1 July 2013 with allowance made for interest on the Scheme liabilities, benefits that have been paid out of the Scheme and changes in market conditions as suggested by the agreed assumptions. In addition, allowance has been made for benefit increases over the year compared to the assumed increases at the start of the period.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 Accounting policies (continued)

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Building Research Establishment Limited also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and its subsidiaries in an independently administered fund. The pension costs charged against net income are the contributions payable to the scheme in respect of the accounting period.

Deferred capital grants

Capital grants are amortised through the profit and loss account in line with the depreciation of the asset to which the grant relates.

Cash

Cash balances are part of the company's working capital and are kept on current account or short term deposit.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 Turnover

	2017 £'000	2016 £'000
Commercial activities	1,241	1,026
Independent advice on building performance, construction and fire safety.	16,877	19,268
Government grants	1,452	361
	<u>19,570</u>	<u>20,655</u>

3 Operating (loss)/profit

The operating (loss)/profit is stated after charging:	2017 £'000	2016 £'000
Restructuring costs	445	174
Depreciation of tangible fixed assets	1,012	959
Amortisation of intangible assets	717	517
Operating lease rentals	102	72
Research and development expenditure	1,600	1,551
<i>Auditor's remuneration:</i>		
Audit of company financial statements	10	12
Amounts receivable by auditor and associates in respect of:		
Services relating to taxation	3	4
Other services	-	19

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

4 Staff costs

Staff costs, including directors' remuneration, during the period amounted to:

	2017 £'000	2016 £'000
Wages and salaries	13,639	13,280
Social security costs	1,517	1,408
Other pension costs	1,347	1,673
	<u>16,503</u>	<u>16,361</u>

Included in the amount for wages and salaries are termination payments totalling £337k (2016: £291k).

The average number of employees including directors during the period was as follows:

	2017 Number	2016 Number
Research staff	291	288
Administration staff	56	59
	<u>347</u>	<u>347</u>

The comparative numbers for 2016 have been restated from average full time equivalent employees to average number of employees.

5 Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments	783	990
Company contributions to defined contribution pension schemes	19	187
	<u>802</u>	<u>1,177</u>

During the period five executive directors participated in the defined contribution pension scheme. The aggregate of emoluments of the highest paid director was £246k (2016: £198k) and Company pension contributions of £2k (2016: £50k) were made to a defined contribution scheme on their behalf.

6 Other operating income

Other operating income relates to costs recharged to other BRE Trust subsidiary undertakings.

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2017

7 Interest payable

	2017 £'000	2016 £'000
Interest payable to group undertakings	33	33

8 Other finance costs

	2017 £'000	2016 £'000
Expected return on pension scheme assets	2,381	2,318
Interest on pension liabilities	(3,682)	(3,700)
	<u>(1,301)</u>	<u>(1,382)</u>

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

9 Taxation

The tax charge for the period is lower than the standard rate of corporation tax in the UK 20%. The differences are explained below.

	2017 £'000	2016 £'000
<i>Current tax</i>		
UK corporation tax on profit for the year	(35)	-
Credit for group relief		305
Adjustment in respect of previous year	(27)	-
	<u>(62)</u>	<u>305</u>
<i>Tax reconciliation</i>		
Loss on ordinary activities before tax	(2,312)	(1,198)
	<u>(462)</u>	<u>(240)</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	120	8
Depreciation in excess of capital allowances	(6)	103
Other timing differences	(267)	129
Capital gain	650	-
Group relief surrendered	-	(305)
Adjustment in respect of prior periods	27	-
	<u>62</u>	<u>(305)</u>

A deferred tax asset of £93k, arising from losses in previous year, has been carried forward to offset tax arising on future trading profits.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10 Intangible fixed assets

	Software	Goodwill	Total
Cost	£'000	£'000	£'000
At 1 April 2016	3,021	1,361	4,382
Additions	367	-	367
At 31 March 2017	3,388	1,361	4,749
Amortisation			
At 1 April 2016	1,505	1,361	2,866
Charge for year	717	-	717
At 31 March 2017	2,222	1,361	3,583
Net book value			
At 31 March 2017	1,166	-	1,166
At 1 April 2016	1,516	-	1,516

Contained in the total for software are the following assets all with a remaining amortisation period of 3 years:

	£'000
Agresso ERP system	505
BRE Academy Digital platform	198
LIMs platform	273

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

11 Tangible fixed assets

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2016	34,363	6,351	649	53	41,416
Additions	927	1,051	153	-	2,131
Disposals	(11,576)	-	(1)	-	(11,577)
Revaluation	3,186	-	-	-	3,186
At 31 March 2017	26,900	7,402	801	53	35,156
Depreciation					
At 1 April 2016	6,465	4,800	415	46	11,726
Charge for year	435	513	59	5	1,012
Eliminated on disposal	(226)	-	-	-	(226)
At 31 March 2017	6,674	5,313	474	51	12,512
Net Book Value					
At 31 March 2017	20,226	2,089	327	2	22,644
At 1 April 2016	27,898	1,551	234	7	29,690

Freehold land is not depreciated. As at 31 March 2017, freehold land is held at the revalued amount of £17.6 million. The comparable cost (and net book value) at that date determined under the historical cost accounting rules would have been £4.9 million. A full valuation was performed on 28 February 2017 by Daniel Hunter (MRICS) of Strutt & Parker. The valuation was prepared in accordance with the RICS Valuation Professional Standards, January 2014 ("The Red Book").

All tangible fixed assets are used in the commercial trading organisations.

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2017

12 Investments

	2017 £'000
Cost	
At 1 April 2016	1,029
Addition in year ended 31 March 2017	127
Cost at 31 March 2017	<u>1,156</u>
Provision for diminution in value	
At 1 April 2016 and 31 March 2017	<u>(1,029)</u>
Net book value	
At 31 March 2017	<u>127</u>
At 31 March 2016	<u>-</u>

Investments made during the year were to acquire 100% interests in Constructing Excellence Limited, BRE America Holdings Inc and Building Research Establishment Shenzhen Limited. Note 23 sets out details of the Company's subsidiaries and associate undertakings.

13 Debtors

	2017 £'000	2016 £'000
Trade debtors	12,944	3,482
Amounts recoverable on contracts	1,456	2,456
Other debtors	526	1,821
Prepayments	793	518
	<u>15,719</u>	<u>8,277</u>

14 Creditors : amounts falling due in one year

	2017 £'000	2016 £'000
Bank overdraft	-	425
Payments received in advance from external clients	2,926	3,559
Trade creditors	1,185	772
Amounts due to group undertakings	8,691	3,893
Social security and other taxes	783	2,116
Corporation tax	35	-
Other creditors	631	437
Accruals	1,819	754
	<u>16,070</u>	<u>11,956</u>

Within amounts due to group undertakings is a loan of £1,242k (2016: £1,242k) due to BRE Trust which is secured on the assets of the company. Interest is charged at 0.25% (2016: 0.25%).

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

15 Provisions for liabilities

Future amounts payable relating to:	Directors' Retirement Lump Sums £'000	Restructuring £'000	Litigation £'000	Total £'000
At 1 April 2016	339	1,339	1,375	3,053
Utilised in the year	(214)	(609)	(747)	(1,570)
Charge to the profit and loss account	-	510	106	616
At 31 March 2017	125	1,240	734	2,099

The future amounts payable relating to restructuring costs is a provision made to reflect a liability to make future payments to ex-employees who were made redundant when over the age of 50 and have, under TUPE rules, translated part of their entitlement into an annual compensation payment payable for life.

The legal claim provision is made for possible future litigation including all legal fees, prosecution costs and any other costs imposed or arising and other losses on contracts.

The timing of the cash outlays in respect of these provisions is uncertain but should not exceed £980k in the next financial year.

16 Deferred grant

The deferred grant represents monies received in respect of building refurbishment costs included under fixed assets and will be released to the profit and loss account in line with future depreciation of the asset.

17 Share capital

	2017 £	2016 £
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Allotted: Issued and fully paid 7 ordinary shares of £1 each	7	7

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18 Reserves

	Profit and Loss Account £'000	Revaluation Reserve £'000	Share Premium £'000	Other Reserve £'000	Shareholders' Funds £'000
At 1 April 2016	(35,853)	16,158	5,000	450	(14,245)
Loss for the year	(2,374)	-	-	-	(2,374)
Transfer	8,259	(7,809)	-	(450)	-
Revaluation	-	3,186	-	-	3,186
Actuarial loss recognised in the pension scheme	(14,420)	-	-	-	(14,420)
At 31 March 2017	(44,388)	11,535	5,000	-	(27,853)

The Other Reserve relates to negative goodwill arising on acquisition of the business.

As stated in the accounting policy on intangible assets, negative goodwill is transferred to the profit and loss account reserve generally in the same period non-monetary assets are recovered. The £450k transfer represents the realisation to the general fund the value of negative goodwill prior to 1998 which was initially retained in the separate reserves and was being transferred over 20 years.

The transfer of £7,809k from the revaluation Reserve to the Profit and Loss account represents the realisation of part of the revaluation following a part disposal of the freehold land at the BRE HQ site in Garston on 14 July 2016 to a developer for residential homebuilding.

The loss for the year of £2,374k includes capital gains tax arising as a result of the freehold land disposal.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19 Pensions

The company operated two funded defined benefit pension schemes, one for the employees who transferred from LPC (the LPC scheme) and one for other employees of the Trust and its subsidiaries who commenced employment before 31 December 2001 (the BRE Scheme). Both defined benefit schemes are funded and closed to future accrual.

The group established a defined contribution stakeholder scheme for employees who commenced employment after 1 January 2002. Members of the LPC and BRE defined benefit pension schemes have also been offered membership of this scheme on the same terms. The company contributes up to 5% of salary so long as the members do the same. However, members can contribute a higher amount if they wish to do so. The pension cost for the year represents contributions payable by the company to the scheme and amounted to £2,148k (2016: £1,993k) and scheme related expenses.

Contributions to the stakeholder scheme amounting to £163k (2016: £3k) were payable at 31 March and are included in creditors.

The assets of the defined benefit schemes are held separately from those of the group, being invested with Ruffer, Barings and BNY Mellon. The assets of the stakeholder scheme are invested with Scottish Widows.

Management charges of £244k (2016: £173k) were incurred in respect of the defined benefit scheme. Contributions to this scheme amounting to £191k (2016: £181k) were payable at 31 March 2017 and are included in creditors. Monthly contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Under a 'recovery plan' agreed with the pension trustees (and submitted to the Regulator) the deficit on the BRE and LPC pension scheme is partially secured by a direct charge over the Garston site in favour of the pension fund.

The major assumptions used by the actuary were:

	Combined Scheme	Separate BRE and LPC Schemes	Separate BRE and LPC Schemes
	2017 %pa	2016 %pa	2015 %pa
Rate of increase in salaries	2.10	1.80	1.80
Discount rate for calculation of benefits	2.60	3.50	3.30
Inflation (RPI)	3.10	2.80	2.90
Inflation (CPI)	2.10	1.80	1.90

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting an individual, on retirement, to live for a number of years as follows:

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19 Pensions – continued

The BRE and LPC Pension Scheme

- Current pensioner aged 65: 22.1 years (male) and 24.0 (female)
- Future retiree (aged 45) upon reaching 65: 23.5 years (male) and 25.5 (female)

The assumptions used by the actuary are the group's best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The asset valuations of the schemes at that date amounted to £73,070k (2016: £68,659k) for the combined BRE and LPC scheme. These amounts were sufficient to cover 64% (2016: 63%) of the benefits that had accrued to members.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long years and thus inherently uncertain, were:

	2017 £'000	2016 £'000
Present value of funded defined benefit obligations	(124,838)	(106,947)
Fair value of assets	73,070	68,659
Net deficit	(51,768)	(38,288)
Movements in present value of defined benefit obligation		
	2017 £'000	2016 £'000
At 1 April	106,947	112,533
Interest on obligation	3,683	3,665
Actuarial loss/(gain)	17,721	(6,524)
Benefits paid	(3,513)	(2,727)
At 31 March	124,838	106,947
Movements in fair value of assets		
	2017 £'000	2016 £'000
At 1 April	68,659	70,880
Expected return on assets	2,381	2,318
Actuarial gain/(loss)	3,301	(3,970)
Contributions by employer	2,242	2,193
Benefits paid	(3,513)	(2,727)
Expenses	-	(35)
At 31 March	73,070	68,659

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19 Pensions – continued

Amounts recognised in the profit and loss account

	2017 £'000	2016 £'000
Interest on defined benefit obligations	(3,682)	(3,700)
Expected return on assets	2,381	2,318
Resources expended (included in other finance costs)	(1,301)	(1,382)

	2017 £'000	2016 £'000
Actual return less expected return on assets	3,301	(3,970)
Experience gain/(loss) on liabilities	734	(596)
Change in assumptions underlying the present value of the liabilities	(18,455)	7,120
Actuarial (loss)/gain	(14,420)	2,554

Assets

The major assets and the return on those assets were as follows:

	Expected return from 31 March 2017 %	Value as % of Total assets 31 March 2017 %	Expected return from 31 March 2016 %	Value as % of Total assets 31 March 2016 %
Diversified Growth Fund	2.6	99	3.5	99
Cash/Other	2.6	1	3.5	1

The actual return on the Scheme's assets over the year to the review date was 8.4%.

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2017

19 Pensions – continued**Summary of Prior Year Amounts**

The history of the scheme for the current and prior years is as follows:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of scheme liabilities	(124,838)	(106,947)	(112,533)	(95,696)	(97,101)
Fair value of scheme assets	73,070	68,659	70,880	65,471	67,412
Deficit	(51,768)	(38,288)	(41,653)	(30,225)	(29,689)
Experience gain/(loss)	734	(596)	636	1,293	(784)
On scheme liabilities change in assumptions	(18,455)	7,120	(15,673)	1,788	(12,543)
Experience (loss)/gain on scheme assets	3,301	(3,970)	2,745	(5,696)	3,254

In relation to the FRS 102 disclosure no deferred tax has been provided on the net deficit of the scheme as no tax liabilities or benefits are expected to arise for the foreseeable future.

The company expects to contribute approximately £2,350k to the defined benefit scheme in the next financial year.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

20 Financial commitments

At 31 March 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Plant and machinery expiring:		
Not later than one year	90	146
Later than one year and not later than five years	50	141
Later than five years	-	-
	<u>140</u>	<u>287</u>
Land and Buildings expiring:		
Not later than one year	104	121
Later than one year but not later than five years	336	440
Later than five years	-	-
	<u>440</u>	<u>561</u>

During the year £102k was recognised as an expense in the profit and loss account in respect of operating leases (2016: £72k).

21 Capital commitments

The following commitments for capital expenditure existed as at 31 March 2017

	2017 £'000	2016 £'000
Contracted	329	324

22 Ultimate parent undertaking and controlling party

The immediate holding company is BRE Group Limited (Company Registration Number: 2704081), the ultimate parent undertaking and controlling party is BRE Trust (Company Registration Number: 03282856, Charity Registration: 1092193), a company limited by guarantee and a charity registered in England and Wales. It is situated at the address shown at the front of the financial statements.

The largest and smallest group of undertakings for which group accounts have been prepared is that headed by BRE Trust. The consolidated financial statements of BRE Trust can be obtained from the address shown at the front of the financial statements.

23 Contingent liabilities

There were no contingent liabilities at 31 March 2017 or 31 March 2016.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

23 Subsidiary and associate undertakings

On 31 March 2017 the subsidiary and associate undertakings were as follows:

	Interest in Ordinary Shares
BRE America Holdings Inc. +	100%
BRE America LLC+	100%
BuildingWise LLC+	100%
Building Research Establishment Shenzhen Limited#	100%
Constructing Excellence Limited*	100%
Constructing Excellence in Learning Limited*	100%
Non-trading companies	
BRE Canada Inc##	100%
BRE Ventures Limited*	100%
BRE Waste & Environmental Body Limited*	100%
BRE International Limited *	100%
BRE Projects Limited*	100%
Code for Sustainable Buildings Limited*	100%
Construction Audit Group Limited*	100%
Building Performance Services Limited*	100%
E-Statepro Limited*	100%
EFSG Limited *	100%
The Loss Prevention Certification Board Limited*	100%
Innovation Den Limited*	100%
BRE Clean Technologies Limited*	100%

The company is a member of the following company (which it does not control):

Company limited by guarantee

National Centre for Excellence in Housing (non trading)

* Registered office - Buchnalls Lane, Watford, WD25 9XX UK

+ Registered office - 1123 Fremont Blvd, Suite C & D, Seaside, CA 93955 USA.

Registered office - Room 201, Block A, Qianwan 1 Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Peoples Republic of China (P.R.C)

Registered office – Scotia Plaza, 40 King Street W, Toronto, Ontario, M5H 3Y2 Canada

BRE America Holdings Inc. and BRE America LLC were acquired on 9 March 2016. Buildingwise LLC was acquired on 5 May 2016.

All of the entities were registered in England and Wales with the exception of BRE America Inc. BRE America LLC and BuildingWise Inc. which are registered in USA, BRE Canada which is registered in Canada, and Building Research Establishment Shenzhen Limited which is registered in China.

24 Related party transactions

During the year the Company made sales totalling £9k (2016: £27k) to Wates Construction a company of which James Wates, the Chairman of the BRE Trust, is a director. At the year end the amount owed to the Group in relation to these sales was £nil (2016: £7k).

James Wates is also a director of Argent LLP. During the year, the year membership of SMARTWaste generated income of £5,000 (2016: £4,100). The balance outstanding at 31 March 2017 was £nil (2016: £nil).

June Barns, a trustee of the BRE Trust, is a non-executive director and shareholder of Urban and Civic Plc. During the year, work undertaken on sustainability issues at their Alconbury and Waterbeach sites generated income of £65,827 (2016: £16,318). The balance outstanding at 31 March 2017 was £nil (2016: £16,318).

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

24 Related party transactions (continued)

During the year the Company used the services of Ant Consultancy at a cost of £24,458 (2016: £nil). Alexander Trafford, the son of Niall Trafford the Chief Operating Officer of BRE is a director of Ant Consultancy. The amount outstanding at 31 March 2017 was £nil (2016: £nil).

Gavin Dunn, Director of BRE's Business Performance Group, is Vice President of The Chartered Association of Building Engineers. During the year, the sale of a BRE Gold Sponsorship of Beinspired generated income of £3,000 (2016: £nil). The balance outstanding at 31 March 2017 was £nil (2016: £nil).

