

The BES Association Limited

*(T/A The Enterprise Investment & Business
Expansion Schemes Association)*
(a company limited by guarantee)

Directors' report and financial statements

31 May 1995

Registered number 2480430



The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Directors' report and financial statements

Contents

	<i>Page</i>
Chairman's statement	1
Directors' report	2-4
Auditors' report	5
Income and expenditure account	6
Balance sheet	7
Notes	8-10

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Chairman's Statement

After the ever increasing amounts of money raised each year under the BES, the anti-climax created by the introduction of the Enterprise Investment Scheme (EIS) has been marked. Investors have been very lukewarm at the prospect of tying their money into a five year investment in a small company for 20% up front tax relief, and the other tax reliefs available under the scheme. Companies have been concerned at the difficulties and costs of raising comparatively small amounts of money in a technically complicated scheme.

Nevertheless and ironically, the Association enjoyed its greatest success in its lobbying efforts, with many improvements we had been seeking for a number of years being introduced in the 1995 Finance Bill. Hopefully these changes which were too late to have any real effect in the spring fund raising period, will now encourage both companies and investors to make more use of the scheme as a way of raising equity capital both by the public sale of shares and privately for companies needing lesser sums of money.

The change of name mooted last year did not take place because the proposed name would not have properly reflected members' interests and the Association's work, as Venture Capital Trusts and Capital Gains Reinvestment Relief continued to be developed, with common legislation tying all schemes closely together. We have yet to find a name of reasonable length that encapsulates members interests!

As the changes made to the scheme in last year's budget sink in, there is general acknowledgement that both companies and individuals will find the EIS and Capital Gains Reinvestment Relief to be good ways of raising equity funding tax efficiently. There will therefore continue to be a need for the Association to lobby for further improvements and to keep public awareness at a reasonable level.

TC Villiers
Chairman

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 May 1995.

Principal activities

The company lobbies for the promotion and development of the Enterprise Investment Scheme and Capital Gains Re-investment Relief by acting as a focus and a voice for scheme practitioners. It provides information on and monitors the activities of companies funded under the BES and tracks the development of Venture Capital Trusts. It proposes legislative and regulatory changes and encourages best practice by its members'.

Most sponsors, advisers on and promoters of public share offers under the BES and EIS are members of the Association, there being 37 corporate members.

Financial review

The Association has incurred an excess of expenditure over income for the period of £7,629

Income is divided into Joining Fees, Subscriptions and Miscellaneous. Joining Fees were used to contribute towards the cost of the Association's infrastructure and literature. Subscriptions are raised annually to fund the regular costs of the Association and are presently set at a fixed amount for all members.

Miscellaneous income arises from the profits accruing from the provision of services both to members (e.g. press cuttings) and non-members (e.g. research).

Significant events

The Association lobbied very successfully for a number of significant changes to the EIS which were announced in the Budget and implemented in the 1995 Finance Act.

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Directors' report

Future developments

The EIS is unlikely to generate the high level of income that BES sponsors have been able to generate and on which the Association has largely been dependent for its income. It has therefore been decided that the future strategy should be to encourage a much larger membership but charge modest fees. The future of the Association will depend on the success of implementing this strategy.

Directors

The directors of the company during the year were as follows:

TC Villiers	(Chairman)	
PE Way	(Vice-chairman)	(resigned 5 June 1995)
MC Seymour		
K Lassman		(appointed 5 June 1995)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the excess of expenditure over income of the Association 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 estimates that are reasonable and prudent;
- state whether applicable 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 Association will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Directors' report

Auditors

Our auditors, KPMG, are willing to continue in office and in accordance with Section 385 of the Companies Act 1985, a resolution concerning their re-appointment will be submitted at the Annual General Meeting.

By order of the board



Tim Villiers
Secretary

Holywell Centre
1 Phipp Street
London
EC2A 4PS

9 November 1995



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of The BES Association Limited

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the Association's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 May 1995 and of its excess of expenditure over income for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

10 November 1995

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Income and expenditure account
for the year ended 31 May 1995

	Note	1995 £	1994 £
Income			
Subscriptions and joining fees	2	26,241	65,850
Expenditure			
Staff costs			
Establishment and administration charges	5	(18,753) (15,191)	(46,924) (25,865)
		(33,944)	(72,789)
Operating (deficit)			
Interest received		(7,703) 108	(6,939) 539
(Deficit) for the year before taxation			
Taxation		(7,595) (34)	(6,400) (146)
(Deficit) for the year			
Surplus brought forward		(7,629) 6,987	(6,546) 13,533
(Deficit)/surplus carried forward		(642)	6,987

The results for the year all arise from continuing operations. There are no recognised gains or losses in either the current or previous year other than those included in the income and expenditure account.

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Balance sheet at 31 May 1995

	Note	1995 £	1994 £
Current assets			
Debtors	6	4,287	558
Cash at bank and in hand		1,081	9,650
Creditors: amounts falling due within one year	7	5,368	10,208
		(6,010)	(3,221)
Net assets		(642)	6,987
(Deficit)/surplus carried forward		(642)	6,987

These financial statements were approved by the board of directors on 9 November 1995 and were signed on its behalf by:

MC Seymour

MC Seymour
Director

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Notes

(forming part of the financial statements)

1 Status of the company

The BES Association Limited is a company limited by guarantee. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debt and liabilities of the company contracted before he ceases to be a member, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributor's among themselves, such amount as maybe required not exceeding one pound.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have been prepared on a going concern basis, notwithstanding the company having net liabilities since the directors are confident that they will be able to increase the income of the Association. Failing this, as the Chief Executive's remuneration accounts for a significant level of budgeted expenditure, this may be cut further should finances require.

Annual subscriptions

The annual subscription is currently at a flat rate of £325 per annum. There were 37 members of the Association as at 31 May 1995.

Taxation

The BES Association Limited has provided for corporation taxation on bank interest which was paid gross during the financial year.

Cash flow statement

The company has prepared no cash flow statement as it is exempt from doing so under the criteria included in FRS1.

3 Remuneration of auditors

	1995 £	1994 £
Audit fee	638	638

The BES Association Limited
(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Notes *(continued)*

4 Remuneration of directors

	1995 £	1994 £
Director's emoluments	18,753	42,605
Employer's National Insurance contributions	-	4,319
	<u>18,753</u>	<u>46,924</u>

The emoluments, excluding pension contributions, of the chairman were £18,753 (1994: £42,605).

No other directors receive any remuneration from the company.

5 Staff numbers and costs

The average number of employees, including directors, during the year was 1 (1994: 1).

The aggregate payroll costs of these persons were as follows:

	1995 £	1994 £
Wages and salaries	16,800	41,547
Social security costs	-	4,319
Benefits	1,953	1,058
	<u>18,753</u>	<u>46,924</u>

6 Debtors

	1995 £	1994 £
Trade debtors	1,287	558
Prepayments and accrued income	3,000	-
	<u>4,287</u>	<u>558</u>

The BES Association Limited

(T/A The Enterprise Investment & Business Expansion Schemes Association)
(a company limited by guarantee)

Notes (continued)

7 Creditors: amounts falling due within one year

	1995	1994
	£	£
Other creditors	5,976	3,075
Corporation taxation	34	146
	6,010	3,221