

Mission Statement

*B & C E aims to be the foremost
provider of benefits and allied
services to those who work and trade
within the Construction Industry.*

*For an efficient organisation
dedicated to serving all those in our
industry this means:-*

focusing on our Customers' needs

*

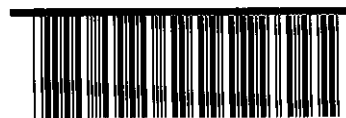
*seeking continuous improvement
in the value, quality and range of
our services*

*

*providing a fair and caring
service*

*

*managing the available funds
prudently for the benefit of the
industry*



Building and Civil Engineering Holidays Scheme Management Limited

**Annual report and financial statements
for the year ended 31 March 2001**

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Building and Civil Engineering Holidays Scheme Management Limited

(A Company Limited by Guarantee and not having a Share Capital)

Notice of meeting

The Directors of Building and Civil Engineering Holidays Scheme Management Limited hereby give notice that the Annual General Meeting of members of the Company will be held at:-

Construction House, 56-64 Leonard Street, London EC2A 4JX,
on Friday, 28 September 2001 at 12:15 p.m.

for the purpose of receiving the Directors' Report and audited Financial Statements and transacting the ordinary business of the Company.

Dated 5 September 2001

By order of the Board

R. W. STEER
Secretary

Agenda

1. Apologies for absence.
2. Minutes of the fifty-eighth Annual General Meeting held on 29 September 2000.
3. Chairman's address.
4. To receive and adopt the Directors' Report and audited Financial Statements for the year ended 31 March 2001, together with the Auditors' Report.
5. To re-appoint PricewaterhouseCoopers as auditors of the Company in accordance with Section 384 of the Companies Act 1985 and to authorise the Board to fix their remuneration.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy must also be a member of the Company.

A Form of Proxy is available from the Company Secretary at Manor Royal, Crawley, West Sussex, RH10 9QP

Building and Civil Engineering Holidays Scheme Management Limited
(Registered Number 377361)

Directors, administration and advisers

Independent chairman

Sir John Chilcot, GCB, MA

Directors

D. G. Stradling, D.Sc.(Hon), MA, CCIPD
J. M. O'Callaghan, BE, MSc, C.Eng, FICE, FCIWEM,
FIHT
G. M. Fordy, OBE, FCIOB, FIMgt
J. C. Scott
G. C. Lean, FCIPD
J. A. Southworth, BA (Econ), FCA

G. C. Wilmshurst
G. B. Brumwell
R. J. Blackman, MIOSH
G. N. Grayson
T. Vernon
D. A. Black, MA

Chief executive

B. J. Griffiths, FCA

Secretary and registered office

R. W. Steer, DMS, FCIS, ACIB, CeFa, MLIA (dip)
Manor Royal,
Crawley,
West Sussex, RH10 9QP

Solicitors

Field Fisher Waterhouse,
35 Vine Street,
London,
EC3N 2AA

Bankers

HSBC Bank plc,
9 The Boulevard,
Crawley,
West Sussex, RH10 1UT

Registered auditors

PricewaterhouseCoopers,
Melrose House,
42 Dingwall Road,
Croydon, CR0 2NE

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report for the year ended 31 March 2001

The Directors present their 59th Annual Report and the audited Financial Statements for the year ended 31 March 2001. The activities of two subsidiaries are material to the Group and therefore Group financial statements have been prepared. A separate set of financial statements has been prepared for the Benefit Schemes.

Principal activity

The principal activity of the Group continues to be the administration of benefit schemes for operatives in the building and civil engineering industry.

Building and Civil Engineering Holidays Scheme Management Limited ("the Company") administers the Building and Civil Engineering Holidays-with-Pay Scheme and the Building and Civil Engineering Benefit Schemes. It is also the appointed Administrator of the Building and Civil Engineering Contracted-Out Pension Scheme ("B&CECOPS"), the B & C E "Foundation" Personal Pension Scheme and the Building and Civil Engineering Charitable Trust.

B & C E Unit Trust Management Company Limited is the Manager of the two unit trust based personal pension schemes, B&CECOPS and "Foundation".

B & C E Insurance Limited offers insurance based products to all who work in the industry.

Review of activities and future developments - Building and Civil Engineering Holidays-with-Pay Scheme

The Holidays-with-Pay Scheme has been in operation since 1943. Until the introduction of the working time regulations in October 1998, the Scheme provided building and civil engineering operatives with holiday pay for 21 days of annual holiday to be taken at Christmas/New Year, Easter and during the Summer.

The Company sold holiday credits to employers and eventually redeemed these either to employers or direct to operatives. An operative's holiday pay depended on the value of the weekly credits purchased during the accrual periods preceding the relevant Holiday Periods.

In response to the introduction of the working time regulations, a new flexible Holiday Pay scheme, 'Template', was introduced in August 1999. This enables employers to set aside variable amounts to cover their liability for Holiday Pay under the working time regulations and industry-wide agreement.

The discount, financed from the funds of the Company, under Holiday Credits (70p for cash purchases and 35p for credit purchases), ceased after the introduction of Template. Under Template participating employers are currently entitled to free accident and subsidised death cover for their operatives (see below).

On the 9 April 2001 B&CE Insurance Limited launched "EasyBuild", a stakeholder pension scheme for all those who work in the construction industry. This replaced the existing retirement benefit scheme in respect of the lump sum benefit; the death benefit provision will continue. Contributions to 'EasyBuild' can be paid by both employers and operatives. The Management Company is paying a loyalty bonus to employers to enable them to pay additional funds into their operatives 'EasyBuild' pension account for a period of 15 months from April 2001.

Directors' report (continued)

Holiday pay receipts

The values of the receipts for Holiday Pay, under Holiday Credits and Template were:

	2000/2001 £	1999/2000 £
Holiday Credits	-	70,439,859
Template	215,475,992	96,042,182
	<u>215,475,992</u>	<u>166,482,041</u>
	=====	=====

Holiday pay redemptions

The values of the payments of Holiday Pay, under Holiday Credits and Template, were:-

	2000/2001 £	1999/2000 £
Reimbursement to employers	202,176,434	145,857,895
Direct payment to operatives	1,216,546	11,376,806
	<u>203,392,980</u>	<u>157,234,701</u>
	=====	=====

Review of activities - Building and Civil Engineering Benefit Schemes

Death benefit scheme

Death in service cover was the first of the benefit arrangements to be introduced. It has now been in operation for 26 years.

The level of death benefit is determined by negotiation between the Employers' Organisation and Trades Unions who are parties to the National Working Rules. This increased from 4 August 2000 to £15,000 (1999/2000 - £11,500), with up to a further discretionary £15,000 for deaths arising from an accident at work or whilst travelling to or from work.

The Death Benefit Scheme remained unchanged as a result of the launch of EasyBuild (see above) and continues to receive Death Benefit contributions and pay Death Benefits.

Retirement benefit scheme

In April 1982, following a decision by the Employer and Trades Unions negotiating parties, a lump sum retirement benefit for operatives was introduced. The benefit is based on operatives' weeks of service. Membership of this Scheme formed part of the standard terms and conditions of employment applicable to operatives employed under the National Working Rules and operatives should become members of the Scheme when they begin Working Rule employment. However, as a result of the Social Security Act 1986, membership of the Scheme is optional as far as an operative is concerned; some operatives have taken out personal pension plans and this means that they must waive their rights to the lump sum retirement benefit.

In April 1986 the Retirement Benefit Scheme was expanded to enable operatives to make voluntary contributions as a means of increasing their retirement benefits and from May 1995 employers were able to make contributions on behalf of operatives.

Directors' report (continued)

As a result of the launch of EasyBuild on the 9 April 2001 (see above) the existing Lump Sum Retirement Benefit Scheme ceased to receive retirement benefit contributions, accrue further service, and closed to new members from that date. Accrued entitlements to the Lump Sum Retirement Benefit will continue to be paid when due. Voluntary contributions cannot be accepted after that date also, but existing funds will continue to accrue bonuses when declared until they are claimed for payment.

Accident benefit scheme

In June 1987 the negotiating parties agreed that a lump sum compensation scheme should be introduced for operatives who suffer a loss of sight or limb as a result of an accident at work or whilst travelling to or from work. The Scheme - the Building and Civil Engineering Accident Benefit Scheme - came into operation in August 1987. From August 1988 it was agreed that the scope of the Scheme should be widened to cover accidents which result in disablement from employment for one year or more.

Employers contribute towards the costs of the above three Schemes by means of the Benefits Schemes contributions (£2.91 per week increased to £3.18 per week from 7 August 2000) which are collected with the holiday pay (see above).

Employers participating in Template currently receive free accident cover for their operatives. Employers therefore only pay the retirement benefit contribution (£1.90 per week and pay death benefit cover of 30p per week, the management company pay 84p per week per operative). The cost of the free accident and subsidised death benefit cover provided by the parent company amounted to £9,246,000 for the year ended 31 March 2001 (2000 - £6,284,000).

Separate financial statements have been prepared giving full information on the operation of these Schemes. These Group financial statements do not include the results and assets of these Schemes.

Review of activities - B & C E Unit Trust Management Company Limited

The following two Schemes are managed by B & C E Unit Trust Management Company Limited, a wholly owned subsidiary of the Company.

Building and Civil Engineering Contracted Out Pension Scheme

This Unit Trust (which is an appropriate personal pension scheme) came into operation during 1988 and at 31 March 2001 there were 13,709 (2000 - 13,702) members. Under the Scheme an operative elects to divert part of his and his employer's National Insurance contributions into his own pension arrangement (contracting out). In this way it is expected that younger operatives will obtain a better pension than the State Earnings Related Pension at no extra cost to themselves.

The B & C E "Foundation" Personal Pension Scheme

The Scheme was established under a Trust Deed on 7 November 1990 and at 31 March 2001 there were 6,593 (2000 - 7,050) members. The purpose of the Scheme is to provide a Personal Pension Scheme for those operatives who have waived their rights to the Retirement Benefit Scheme or, from 1 April 1992 are self employed.

Directors' report (continued)

Review of activities - The Building and Civil Engineering Charitable Trust

The Charitable Trust was constituted by a Trust Deed on 2 October 1991. The objectives of the Trust are:

1. education and training in and research into occupational health and safety in the building and civil engineering industries;
2. education training and retraining for operatives, past operatives and young persons; and
3. relief of beneficiaries who are in need by virtue of their poverty, sickness or distress.

The Trust had made a total of 321 payments to beneficiaries by 31 March 2001 and to date £214,103 had been transferred from the Management Company.

Review of activities - B&CE Insurance Limited

During 1995 B&CE Insurance Limited was established as a 100% subsidiary. The objective is to offer appropriate insurance based products to all who work in the industry and during the year the products available were term assurance, annuities and accident cover.

As at 31 March 2001 there were 374 Accident and Injury, 934 Term Assurance, 5,275 RapidCash and 784 Annuity policies in force.

Review of business

The consolidated profit and loss account for the year is set out on page 10. Turnover for the year decreased from £36.7m to £32.9m, this amount comprised income £12.5m (2000 - £12.7m) and surplus on investments £20.4m (2000 - £24.0m). After deducting the benefits scheme contribution subsidy of £9.2m (2000 - £6.3m), and net operating expenses of £14.2m (2000 - £11.5m), there was a surplus before taxation of £9.4m (2000 - £18.9m). After a tax charge of £6.7m (2000 - £6.6m) there was a surplus for the year of £2.8m (2000 - £12.3m) which has been transferred to reserves.

The financial position at the year end remains satisfactory and the volume of the traditional business increased during the year. The expansion of the Insurance Company continues.

Future activities

The Company proposes to continue to provide benefits to those working in the industry and to expand its membership wherever possible. The product range will be kept under review to ensure that it continues to meet the needs of the industry.

In particular, 'EasyBuild', a stakeholder pension scheme for all those who work in the industry was launched on the 9 April 2001 (see above).

Property values

In January 1999 the Company moved from the old building at Manor Royal, Crawley to a new building on the same site. The surplus freehold land was sold to help finance the new building.

In the opinion of the Directors the market value of the freehold land and buildings is in excess of the book value, although this excess is likely to be small due to the recent construction of the building.

Chief Executive

Mr R A Veal retired as Chief Executive on 31 March 2001 and the Board would like to place on record its appreciation of his contribution to the Company. Mr B J Griffiths was appointed Chief Executive with effect from 1 April 2001.

Directors' report (continued)

Directors

The Directors at 27 July 2001 are listed on page 2. Mr R Cowan retired on 28 July 2000 and was replaced by Mr J A Southworth on 1 August 2000. Mr G P Henderson retired on 31 December 2000 and was replaced by Mr D A Black from 1 January 2001.

The Directors due to retire at the Annual General Meeting are Messrs. Stradling, Blackman, Black and Vernon. All have been re-appointed by their respective organisations.

Directors' interests

There were no contracts of significance subsisting during or at the end of the financial year in which a director of the company was materially interested.

Employees

Employee Involvement

For many years there have been regular meetings between staff representatives and managers at which all aspects of the Company's business are discussed. The management of the Company is committed to good communications. Many of the supervisory and specialist staff attend courses from time to time to improve their ability and increase overall efficiency. The Company also utilises in-house training equipment from which the majority of staff benefit.

Disabled persons

The Company's policy is to consider sympathetically the employment of disabled persons, provided there are no restraints imposed by the nature of the specific job. If an existing employee becomes disabled the Company will do its utmost to retain that employee either in the same job or, if that is not possible, in another one which is within the ability and scope of the employee.

The Company will continue to identify and monitor the employment of Registered Disabled Persons to determine its position in relation to current statutory requirements.

Tribute to staff

The staff at Crawley and the regional offices work hard to provide an efficient and cost effective service to the industry. Over the last two years there have been major changes with the introduction of Template and the development of EasyBuild.

The Board would like to record its sincere thanks and appreciation to every member of staff.

Charitable donations

During the financial year the Company contributed £64,103 to the Building and Civil Engineering Charitable Trust and £2,240 for other charitable purposes.

Taxation status

The Company is liable to Corporation Tax on its gross revenue excluding franked investment income, and on its chargeable capital gains with no deduction for administration costs. The subsidiary companies are taxed under the normal Corporation Tax rules for trading companies in respect of B & C E Unit Trust Management Company Limited and for insurance companies, for B & C E Insurance Limited.

Directors' report (continued)

Creditor payment terms

All creditors continue to be paid at the latest at the end of the month following receipt of the invoice. Some creditors are paid under special mutually agreed terms.

Economic Monetary Union

The aim is for the Group to be able to handle business in Euros when required. The position is being kept under review.

Statement of directors' responsibilities

Company law requires the directors to prepare group financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

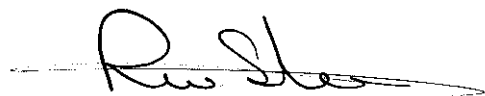
- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as Auditors to the Company and Group will be proposed at the Annual General Meeting.

By Order of the Board,



R. W. Steer
Group Secretary

27 July 2001

Building and Civil Engineering Holidays Scheme Management Limited

Auditors' report to the members of Building and Civil Engineering Holidays Scheme Management Limited

We have audited the financial statements on pages 10 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 8, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

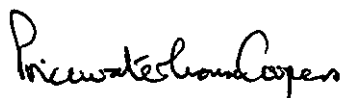
Basis of audit opinion

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 affairs of the company and the group at 31 March 2001 and of the surplus and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Croydon

10 August 2001

Building and Civil Engineering Holidays Scheme Management Limited

Consolidated profit and loss account for the year ended 31 March 2001

	Notes	2001 £000	2000 £000 (Restated Note 1)
Turnover	3	32,861	36,654
Accident and death benefit scheme contribution subsidy		(9,246)	(6,284)
Net operating expenses	4	(14,199)	(11,455)
Surplus before taxation	5	9,416	18,915
Taxation	8	(6,661)	(6,635)
Surplus for the year	15	2,755	12,280
		=====	=====

All of the Group's activities are continuing.

The Group has no recognised gains and losses other than the surplus above and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profit for the year ended 31 March 2001

	2001 £000	2000 £000
Reported surplus before taxation	9,416	18,915
Unrealised (surplus)/deficit on current asset investments (Note 3)	(1,240)	890
	=====	=====
Historical cost surplus before taxation	8,176	19,805
	=====	=====
Historical cost surplus for the year after taxation	1,515	13,170
	=====	=====

Building and Civil Engineering Holidays Scheme Management Limited

Balance sheets at 31 March 2001

		GROUP		COMPANY	
	Notes	2001 £000	2000 £000	2001 £000	2000 £000
(Restated Note 1)					
Benefit Schemes Administration					
Fixed Assets					
Tangible assets	10	6,618	6,872	6,618	6,872
Investments	11	42,107	74,394	100,950	84,444
		<u>48,725</u>	<u>81,266</u>	<u>107,568</u>	<u>91,316</u>
Current assets					
Stocks	12	45	45	45	45
Debtors	13	3,110	3,268	3,195	3,227
Investments	11	42,580	60,526	42,080	59,423
Cash at bank and in hand		251	250	121	1
		<u>45,986</u>	<u>64,089</u>	<u>45,441</u>	<u>62,696</u>
General and Long Term Insurance					
Investments	11	68,881	12,120		
Reinsurers share of technical provisions		81	77		
Debtors and prepayments	13	715	263		
Cash at bank and in hand		126	79		
		<u>69,803</u>	<u>12,539</u>		
Total assets		<u>164,514</u>	<u>157,894</u>	<u>153,009</u>	<u>154,012</u>
Benefit Schemes Administration					
Creditors:- Amounts falling due within one year	14	68,162	71,302	67,778	70,947
General and Long Term Insurance					
Creditors:- Amounts falling due within one year	14	5,305	100		
Long Term Business provision		4,702	2,902		
Total liabilities		<u>78,169</u>	<u>74,304</u>	<u>67,778</u>	<u>70,947</u>
Net assets		<u>86,345</u>	<u>83,590</u>	<u>85,231</u>	<u>83,065</u>
Reserves					
Revenue reserves and total funds	15	86,345	83,590	85,231	83,065

The financial statements on pages 10 to 25 were approved by the board of directors on 27 July 2001 and were signed on its behalf by:-

D G Stradling

G C Lean

)
) Directors
)

Building and Civil Engineering Holidays Scheme Management Limited

Consolidated cash flow statement for the year ended 31 March 2001

	2001	2000
	£000	£000
		£000 (Restated Note 1)
Net cash (outflow)/inflow from operating activities	(14,426)	9,810
Taxation	(8,476)	(4,104)
Capital expenditure and financial investment (Note A)	334	4,445
	(22,568)	10,151
Management of liquid resources (Note A)	31,648	(7,220)
Increase in cash	9,080	2,931
	=====	=====
Reconciliation of net cash flow to movement in net funds (Note B)		
Increase in cash in the period	9,080	2,931
Net (decrease)/increase in liquid resources	(31,648)	7,220
Realised surplus/(loss) on sale of current asset investments	832	(1,560)
Increase/(decrease) in unrealised surplus on current asset investments	929	(234)
	(29,887)	5,426
Change in net funds	(20,807)	8,357
Net funds at the start of the year	59,872	51,515
Net funds at 31 March 2001	39,065	59,872
	=====	=====
Reconciliation of surplus before taxation to net cash flow from operating activities		
Surplus before taxation	7,583	17,913
Transfer to Long Term Insurance Reserve	1,800	1,051
Depreciation charges	657	603
Surplus on sale of fixed asset investments	(18,189)	(26,433)
(Surplus)/loss on sale of Insurance Business investment assets	(302)	652
Loss/(surplus) on sale of tangible assets	2	(3)
(Surplus)/loss on sale of current asset investments	(832)	1,560
(Increase)/decrease in unrealised surplus on current asset investments	(929)	234
Decrease in stocks	-	1
Decrease in debtors	100	8,782
Increase in pension prepayment	(106)	(105)
(Decrease)/increase in creditors	(6,076)	5,555
Increase in Insurance Business investment creditor	1,866	-
Net cash (outflow)/inflow from operating activities	(14,426)	9,810
	=====	=====

Notes to the cash flow statement

Note A - Gross cash flows

	2001 £000	2000 £000 (Restated Note 1)
Capital expenditure and financial investment		
Payments to acquire fixed asset investments	(36,155)	(46,134)
Payments to acquire Insurance Business investment assets	(14,126)	(4,477)
Payments to acquire tangible fixed assets	(427)	(948)
Payment to Long Term Insurance Business	(10,000)	-
Receipts from sales of fixed asset investments	52,234	51,752
Receipts from sales of Insurance Business investment assets	8,786	4,232
Receipts from tangible fixed assets	22	20
	<u>334</u>	<u>4,445</u>
	=====	=====
Management of liquid resources		
Purchase of gilts and euro bonds	(70,673)	(190,113)
Sale of gilts and euro bonds	102,321	182,893
	<u>31,648</u>	<u>(7,220)</u>
	=====	=====

Note B - Analysis of changes in net cash

	1 April 2000 £000 (Restated Note 1)	Cash flows £000	Other £000	31 March 2001 £000
Cash in hand and at bank				
- Benefits Scheme Administration	250	1		251
- Insurance Business	79	46		125
Bank overdraft	(1,224)	1,224		-
Bank deposits repayable on demand				
- Benefits Scheme Administration	6,290	5,900		12,190
- Insurance Business	241	1,909		2,150
	<u>5,636</u>	<u>9,080</u>		<u>14,716</u>
Liquid resources				
Current asset investments	54,236	(31,648)	1,761	24,349
Total	<u>59,872</u>	<u>(22,568)</u>	<u>1,761</u>	<u>39,065</u>
	=====	=====	=====	=====
Analysed in balance sheet				
Current asset investments – Listed	54,236			30,390
Less current asset investment creditors	-			(6,041)
	<u>54,236</u>			<u>24,349</u>
	=====			=====
Insurance Business – Bank deposits	409			7,050
Less Long Term Insurance Business – Bank deposit (168)				(4,900)
	<u>241</u>			<u>2,150</u>
	=====			=====
Insurance Business cash in hand and at bank	79			126
Less Long Term Insurance Business cash in hand and at bank	-			(1)
	<u>79</u>			<u>125</u>
	=====			=====

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements for the year ended 31 March 2001

1. Principal accounting policies

A summary of the more important group accounting policies adopted in arriving at the financial information set out in this report is set out below, together with an explanation where they have not been applied consistently.

In order that the financial statements should present a true and fair view, it has been necessary to depart from the presentational requirements of the United Kingdom Companies Act 1985.

The presentation required by the Companies Act for the consolidated profit and loss account and the revaluation of current asset investments would not have given a true and fair view due to the nature of the operations of the Group. The Group has therefore adopted a revised presentation, and presented a consolidated profit and loss account, including the change in market value of current asset investments, which is more appropriate to the Group's business.

The Group accounts comply with applicable UK accounting standards. They have been prepared on the historical cost basis as modified to include certain insurance business assets at market value, with the exception of investments which are accounted for as detailed under "Investments" below.

The Group is not an insurance group, as defined by UK regulations, and therefore prepares its accounts in accordance with Schedule 4 of the Companies Act 1985. However, financial information on the Group's insurance business activities is presented in a manner consistent with the provisions of that Act applicable to insurance companies and with the Statement of Recommended Practice on Accounting for Insurance Business published by the Association of British Insurers in December 1998 ("the ABI SORP"). This is necessary to present the group's activities in a meaningful way.

Re-presentation of prior year numbers

Following the publication of FRS 18 – Accounting policies, the directors have reviewed the accounting policies and the presentation contained within these financial statements, and have changed the format of the profit and loss account, balance sheet, and cash flow statement, and related notes. This has been done to present a true and fair view of the group's financial position and of the results and cash flows for the periods concerned.

- Consolidated profit and loss account

The turnover for the year ended 31 March 2000 represents the combined total of "Income" and "Surplus on investments" as shown in the prior year's financial statements.

Net operating expenses represents the total administration expenses, holiday credit discount, and the holiday fund – release of provision, as disclosed in the 2000 financial statements.

- Consolidated balance sheet

As noted above, the balance sheet and related notes have been split to separately identify those assets and liabilities which are attributable to the general and long term insurance business.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

- Consolidated cash flow statement

The split on the balance sheet between benefits schemes administration, and general and long term insurance assets has altered the definition of what constitutes liquid resources. Investments held within the insurance company, which were previously included within "Liquid resources", are now shown separately with "Capital expenditure and financial investment".

This has had the effect of reducing the comparatives for "Capital expenditure and financial investment", and "Management of liquid resources", by £245,000.

Basis of consolidation

The Group financial statements consolidate the results of the Company and the two trading subsidiaries. Inter company transactions are excluded.

Investments

Investments held for the long term (excluding investments in subsidiaries), are stated at cost or, where there has been a permanent diminution in value, at directors' valuation.

In B & C E Insurance Limited's operations, quoted shares and other securities held in the long term funds are recorded at market value. Government and Eurobond securities held in the long term funds are valued by applying the redemption yield for each security as quoted by an independent valuer.

Investments held as current assets are stated at market value.

In the Company's accounts, investments in subsidiaries and associates are valued at cost or, where there has been an impairment in value, at their recoverable amount.

Operating leases

Operating lease rentals are charged on a straight line basis to the administration account, over the lease term.

Depreciation

Provision is made for depreciation of fixed assets on a straight line basis at the following rates per annum:-

	%			%
Land	0	Premises	- Building	3
Office Furniture	10		- Plant and machinery	10
Motor Vehicles	20	Office Machinery	- Computer Equipment	33.3
			- Office Equipment	20

Stocks

Stocks are valued at cost less provision for obsolescence and depreciation.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Income

Income, which excludes VAT, Insurance Premium Tax and sales between group companies, represents fees, dividends, interest and premium income receivable. Dividend income was previously recognised gross but is now recognised on a net basis. The issue and reimbursement of holiday pay transactions has not been included in the income and expense figures, except for the release of the holiday fund provision and the holiday credit discount.

Pension costs

The Group operates a defined benefit pension scheme which is contracted out of the State Scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

VAT

Most of the Group's activities are exempt from VAT and only a small proportion of the input tax suffered is recoverable. Where appropriate the costs include irrecoverable VAT.

Deferred tax

Deferred tax is provided for on material differences between the amounts included for accounting purposes and those taxed.

2. Status of company

The Company is limited by guarantee, not having a share capital. The liability of the members is limited to £1 each.

Notes to the financial statements (continued)

3. Segmental information

Type of business	Turnover		Surplus before tax		Net assets	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Benefit Schemes Administration	28,710	34,786	9,302	19,739	26,549	74,053
Insurance Business	4,151	1,868	114	(824)	59,796	9,537
	<u>32,861</u>	<u>36,654</u>	<u>9,416</u>	<u>18,915</u>	<u>86,345</u>	<u>83,590</u>
	=====	=====	=====	=====	=====	=====
	Benefit Schemes Administration £000	2001 Insurance Business £000	Group Total £000	Benefit Schemes Administration £000	2000 Insurance Business £000	Group Total £000
Investment income:-						
Income from listed investments	6,984	829	7,813	8,534	710	9,244
Interest on short-term deposits	401	46	447	492	39	531
Miscellaneous income	202	-	202	75	-	75
Unit Trust management fees	1,173	-	1,173	1,099	-	1,099
Insurance Business - General	-	1,136	1,136	-	693	693
Insurance Business - Long term	-	1,714	1,714	-	1,078	1,078
	<u>8,760</u>	<u>3,725</u>	<u>12,485</u>	<u>10,200</u>	<u>2,520</u>	<u>12,720</u>
	-----	-----	-----	-----	-----	-----
Surplus on investments:-						
Realised surplus	19,021	115	19,136	24,820	4	24,824
Increase/(decrease) in unrealised surplus on current asset and Insurance Business investments	929	311	1,240	(234)	(656)	(890)
	<u>19,950</u>	<u>426</u>	<u>20,376</u>	<u>24,586</u>	<u>(652)</u>	<u>23,934</u>
	-----	-----	-----	-----	-----	-----
Turnover	<u>28,710</u>	<u>4,151</u>	<u>32,861</u>	<u>34,786</u>	<u>1,868</u>	<u>36,654</u>
	=====	=====	=====	=====	=====	=====
Operating expenses:-						
Acquisition costs		25			29	
Administration		910			973	
Claims		57			82	
Provision		121			153	
General Expenses		329			223	
		708			246	
		1,795			1,043	
		92			(57)	
		<u>4,037</u>			<u>2,692</u>	
		-----			-----	
Profit/loss		<u>114</u>			<u>(824)</u>	
		=====			=====	
4. Net Operating expenses						
Insurance provision	-	1,795	1,795	-	1,043	1,043
Other	10,162	2,242	12,404	8,763	1,649	10,412
	<u>10,162</u>	<u>4,037</u>	<u>14,199</u>	<u>8,763</u>	<u>2,692</u>	<u>11,455</u>
	=====	=====	=====	=====	=====	=====

Notes to the financial statements (continued)

5. Surplus before taxation

	GROUP	
	2001	2000
	£000	£000
Surplus before taxation		
is stated after charging:		
Employee costs (Note 6)	4,774	4,435
Directors' remuneration (Note 7)	80	67
Depreciation (Note 10)	657	603
Auditors' remuneration - audit	48	54
Auditors' remuneration - other services	54	58
	=====	=====

£30,594 (2000 - £40,068) is included in auditors' remuneration - audit, for auditing the parent company.

6. Employee information

	GROUP	
	2001	2000
	£000	£000
Staff costs during the year		
amounted to:-		
Salaries and wages	3,928	3,765
Social security	317	290
Staff Pension Scheme		
costs (Note 19)	219	192
Mortgage subsidies	118	88
Early retirement scheme	192	100
	4,774	4,435
	=====	=====
The average weekly number of staff	Number	Number
employed by the Group during the year		
was:-		
	232	219
	=====	=====
Management	14	14
Clerical	209	195
Manual/Services	9	10
	232	219
	=====	=====

7. Directors' remuneration

	GROUP	
	2001	2000
	£000	£000
Aggregate emoluments	80	67
	=====	=====

Fees of £84,000 (2000 - £84,000) have been paid to industrial organisations for the provision of directors services.

Notes to the financial statements (continued)

8. Tax on surplus on ordinary activities and recognised gains

	GROUP	
	2001 £000	2000 £000
The taxation charge is comprised as follows:-		
Based on the taxable income for the year:-		
UK corporation tax at 30% (2000 - 30%)	1,406	368
UK corporation tax at marginal rate	185	116
	<u>1,591</u>	<u>484</u>
Based on chargeable capital gains:-		
UK corporation tax at 30% (2000 - 30%)	5,306	6,456
Overprovision in respect of previous year	(236)	(305)
	<u>5,070</u>	<u>6,151</u>
Tax charge for the year	<u><u>6,661</u></u>	<u><u>6,635</u></u>

The high tax charge is due to the specific tax law which governs the parent Company whereby only investment income and gains are taxable but no expenses are deductible in arriving at the taxable surplus.

9. Surplus for the financial year

As prescribed by Section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's surplus for the financial year was £2,166,132 (2000 surplus £12,873,000).

Notes to the financial statements (continued)

10. Tangible fixed assets	Freehold Land and Premises	Office Furniture	Office Machinery	Motor Vehicles	Total
	£000	£000	£000	£000	£000
GROUP					
Cost					
At 1 April 2000	5,986	455	1,222	332	7,995
Additions	-	13	332	82	427
Disposals	-	-	(59)	(50)	(109)
At 31 March 2001	5,986	468	1,495	364	8,313
	=====	=====	=====	=====	=====
Depreciation					
At 1 April 2000	295	68	620	140	1,123
Charge for the year	280	48	254	75	657
Disposals	-	-	(58)	(27)	(85)
At 31 March 2001	575	116	816	188	1,695
	=====	=====	=====	=====	=====
Net Book Value					
At 31 March 2001	5,411	352	679	176	6,618
	=====	=====	=====	=====	=====
At 31 March 2000	5,691	387	602	192	6,872
	=====	=====	=====	=====	=====
COMPANY					
Cost					
At 1 April 2000	5,986	455	1,213	332	7,986
Additions	-	13	332	82	427
Disposals	-	-	(59)	(50)	(109)
At 31 March 2001	5,986	468	1,486	364	8,304
	=====	=====	=====	=====	=====
Depreciation					
At 1 April 2000	295	68	611	140	1,114
Charge for the year	280	48	254	75	657
Disposals	-	-	(58)	(27)	(85)
At 31 March 2001	575	116	807	188	1,686
	=====	=====	=====	=====	=====
Net Book Value					
At 31 March 2001	5,411	352	679	176	6,618
	=====	=====	=====	=====	=====
At 31 March 2000	5,691	387	602	192	6,872
	=====	=====	=====	=====	=====

Notes to the financial statements (continued)

11. Investments

Fixed assets

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
Shares in Group undertakings at cost	-	-	60,050	10,050
Other investments other than loans -				
Listed investments	42,107	74,394	40,900	74,394
	<u>42,107</u>	<u>74,394</u>	<u>100,950</u>	<u>84,444</u>
	=====	=====	=====	=====

The Company owns 100% of the issued ordinary share capital of B & C E Unit Trust Management Company Limited, which is incorporated and registered in England, whose principal activity is to manage the Building and Civil Engineering Contracted Out Personal Pension Scheme and The B & C E "Foundation" Personal Pension Scheme.

The Company also owns 100% of the issued ordinary share capital of B & C E Insurance Limited. The Company, which is incorporated and registered in England, is a Health Composite Insurance Company.

Listed Investments

Cost at 1 April 2000	74,394	53,579	74,394	53,579
Additions	36,155	46,134	34,948	46,134
Disposals	(68,442)	(25,319)	(68,442)	(25,319)
	<u>42,107</u>	<u>74,394</u>	<u>40,900</u>	<u>74,394</u>
	=====	=====	=====	=====
Cost at 31 March 2001	42,107	74,394	40,900	74,394
	<u>42,107</u>	<u>74,394</u>	<u>40,900</u>	<u>74,394</u>
	=====	=====	=====	=====
Market Value at 31 March 2001	136,132	209,012	134,905	209,012
	<u>136,132</u>	<u>209,012</u>	<u>134,905</u>	<u>209,012</u>
	=====	=====	=====	=====

Current assets

(Restated Note 1)

Listed investments	29,545	54,319	29,545	53,203
Bank deposits	12,190	6,290	11,690	6,290
	<u>41,735</u>	<u>60,609</u>	<u>41,235</u>	<u>59,493</u>
	=====	=====	=====	=====
Cost at 31 March 2001	41,735	60,609	41,235	59,493
	<u>41,735</u>	<u>60,609</u>	<u>41,235</u>	<u>59,493</u>
	=====	=====	=====	=====
Listed Investments	30,390	54,236	30,390	53,133
Bank deposits	12,190	6,290	11,690	6,290
	<u>42,580</u>	<u>60,526</u>	<u>42,080</u>	<u>59,423</u>
	=====	=====	=====	=====
Market Value at 31 March 2001	42,580	60,526	42,080	59,423
	<u>42,580</u>	<u>60,526</u>	<u>42,080</u>	<u>59,423</u>
	=====	=====	=====	=====

Notes to the financial statements (continued)

11. Investments (continued)

General and Long Term Insurance Business

	2001 £000	2000 £000
Open Ended Investment Companies	34,397	-
UK Government Gilts and Eurobonds	27,214	12,046
Bank deposits	7,050	409
Cost at 31 March 2001	68,661	12,455
	=====	=====
Open Ended Investment Companies	34,487	-
UK Government Gilts and Eurobonds	27,344	11,711
Bank deposits	7,050	409
Market Value at 31 March 2001	68,881	12,120
	=====	=====

	GROUP		COMPANY	
	2001 £000	2000 £000	2001 £000	2000 £000
12. Stocks				
Stationery and consumables	45	45	45	45
	=====	=====	=====	=====

13. Debtors

	(Restated Note 1)			
Amounts owed by Group undertakings	-	-	247	283
Other debtors	196	101	193	93
Accrued income	1,638	2,011	1,484	1,698
Prepayments	361	347	356	344
Pension prepayment	915	809	915	809
	3,110	3,268	3,195	3,227
	=====	=====	=====	=====

Debtors – General and Long Term Insurance Business

	2001 £000	2000 £000
Other debtors – taxation	7	-
Accrued income	700	258
Other prepayments and accrued income	8	5
	715	263
	=====	=====

Notes to the financial statements (continued)

14. Creditors - Due within one year:-

	GROUP		COMPANY	
	2001	2000	2001	2000
	£000	£000	£000	£000
	(Restated Note 1)			
Client money	120	129	-	-
Bank overdraft	-	1,224	-	1,224
Unredeemed balances of:				
Holiday credit issues	-	1,025	-	1,025
Template holiday pay	55,924	61,471	55,924	61,471
Corporation tax	3,789	5,598	3,673	5,532
Other taxation and social security contributions	152	110	146	108
Other creditors	1,515	1,174	1,512	1,173
Accruals	621	571	482	414
Current asset investment purchases	6,041	-	6,041	-
	<u>68,162</u>	<u>71,302</u>	<u>67,778</u>	<u>70,947</u>
	=====	=====	=====	=====

Creditors - General and Long Term Insurance Business

	2001	2000
	£000	£000
Corporation tax	-	(84)
Other taxation and social security contributions	29	20
Other creditors	195	127
Accruals	38	37
Creditor for investment purchases	5,043	-
	<u>5,305</u>	<u>100</u>
	=====	=====

15. Reserves

	GROUP	COMPANY
	£000	£000
At 1 April 2000	83,590	83,065
Surplus for the year	2,755	2,166
At 31 March 2001	<u>86,345</u>	<u>85,231</u>
	=====	=====

Notes to the financial statements (continued)

16. Contingent liabilities

The Company has undertaken to provide financial support, as and when required, to the Building and Civil Engineering Accident Benefit Scheme. There was no deficit or liability as at 31 March 2001.

The Board of Directors have agreed to donate up to £1.5m to The Building and Civil Engineering Charitable Trust to fund the charity's activities. At the year end £214,103 in total had been transferred to the Trust.

17. Related party transactions

During the year the company made payments to three industrial organisations in respect of promotional fees and for the provision of directors services as follows:

Industrial Organisation	Charge for Year		Balance outstanding	
	2001 £	2000 £	2001 £	2000 £
Construction Confederation	342,595	296,147	206,453	175,521
UCATT	126,068	93,624	87,104	58,128
T & GWU	105,125	80,096	73,419	51,102
GMB	21,937	-	14,297	-

The Construction Confederation have appointed six directors. UCATT appointed three directors, T & GWU two and GMB one. Fees of £7,000 (2000 - £7,000) are payable for each director provided.

There are no other related party transactions requiring disclosure in this years financial statements in accordance with FRS 8 (Related Party Disclosures).

18. Capital Commitments

There were no capital commitments during the year (2000 - NIL).

Notes to the financial statements (continued)

19. Pension commitments

The Group operates a pension scheme for all its employees. The Scheme is a defined benefit type whereby retirement benefits are based on employees' final remuneration and length of service. It is funded through a separate trustee administered scheme.

An actuarial valuation was carried out as at 31 December 1998 and a report has been issued by the Scheme's independent Actuary. The valuation method used was the 'projected unit' method. This valuation has shown a surplus of assets over expected liabilities of £1.2m and pension costs will be adjusted to write off this surplus over 12 years - the average working life of existing members.

The main assumptions were that the future investment returns would be 8.5% per annum, that salary and wage increases would on average be 6.5% per annum and that pension increases would on average be 4.5% per annum.

The market value of the Scheme's assets at 31 December 1998 was £21.6m and the actuarial value of those assets represented 109% of the benefits that had accrued to members after allowing for expected future increases in pay and pensions.

Contributions from the Group will continue at 9% of pensionable salaries.

Applying SSAP24 the Group charge for the year is £218,684 (2000 - £192,044) which is the amount recognised as cost. The difference between this cost and the amount paid directly results in a prepayment of £915,226 at 31 March 2001 (2000 - £808,727) - Notes 6 and 13.

The next valuation will be performed as at 31 December 2001.