

Registered Number 377361

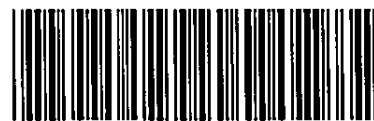


**BUILDING AND CIVIL ENGINEERING HOLIDAYS
SCHEME MANAGEMENT LIMITED**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**for the year ended
31 March 2008**

WEDNESDAY



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COMPANIES HOUSE

B&CE's Vision

Dedicated to the personal and financial wellbeing of everyone in construction

Uncomplicated

Bold

Compassionate

Intelligent

Dependable

Honest

Innovative

B&CE's Values

Building and Civil Engineering Holidays Scheme Management Limited

**Annual report and financial statements
for the year ended 31 March 2008**

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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 -

B&CE Benefit Schemes, Manor Royal, Crawley, West Sussex, RH10 9QP
on Friday, 24 October 2008 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 3 October 2008
By order of the Board

D B McMANUS
Secretary

Agenda

- 1 Apologies for absence
- 2 Minutes of the sixty fifth Annual General Meeting held on 21 September 2007
- 3 Chairman's address
- 4 To receive and adopt the Directors' Report and audited Financial Statements for the year ended 31 March 2008, together with the Auditors' Report
- 5 To reappoint PricewaterhouseCoopers LLP 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

The Rt Hon Sir John Chilcot, GCB, MA

Directors

J M O'Callaghan, BE, MSc, C Eng, FICE, FCIWEM, FIHT	G C Wilmshurst
G C Lean, FCIPD	S D Murphy
J A Southworth, BA (Econ), FCA	R J Blackman, MIOSH
Mrs S Copland-Jones, MCIPD	A S Ritchie
D Smith, MCIPD	P Davies
J S Brown, BA (Hons) CA	

Chief executive

B J Griffiths, FCA

Secretary and registered office

D B McManus, Dip DM, MBCI, A Inst BA
Manor Royal,
Crawley,
West Sussex, RH10 9QP

Solicitors

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

Bankers

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

Registered auditors

PricewaterhouseCoopers LLP,
First Point,
Buckingham Gate,
Gatwick,
West Sussex, RH6 0PP

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report for the year ended 31 March 2008

The Directors present their 66th Annual Report and the audited Financial Statements for the year ended 31 March 2008. The activities of the two subsidiaries (see below) are material to the Group and therefore Group financial statements have been prepared. A separate set of financial statements has been prepared for Building and Civil Engineering Benefits Scheme and Building and Civil Engineering Accident Benefit Scheme ("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") and the Building and Civil Engineering Charitable Trust

B & C E Unit Trust Management Company Limited, a wholly owned subsidiary of the Company, is the Manager of the unit trust based personal pension scheme, B&CECOPS

B&CE Insurance Limited ("Insurance Company"), a wholly owned subsidiary of the Company, 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 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

On the 9 April 2001 the Insurance Company 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 as will the separate accident benefit scheme. Contributions to EasyBuild can be paid by both employers and operatives and the scheme can be used to contract out of the State Second Pension

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

In October 2007 the Government announced the immediate withdrawal of the legislation permitting the operation of centralised holidays with pay schemes for all industries apart from construction. A sunset period of 5 years was permitted for construction before ultimate withdrawal in October 2012.

The Group had recognised that withdrawal of the concession was a possibility and had already commenced a re-engineering of its strategic focus at the time the announcement was made. The Group is currently working hard to deliver new products and services for the benefit of all in construction.

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 33 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 death benefit increased to £22,000 (previously £21,000) from 25 June 2007 with up to a further discretionary £22,000 (previously £21,000) for deaths arising from an accident at work or whilst travelling to or from work. From 30 June 2008 the death benefit increased to £23,000.

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 have become members of the Scheme when they began Working Rule employment. However, as a result of the Social Security Act 1986, membership of the Scheme became optional as far as an operative is concerned, some operatives took out personal pension plans and this meant 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. This facility is now closed.

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 but existing funds will continue to accrue bonuses when declared until they are claimed for payment.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

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.

Schemes' funding

From 1 July 2008 the minimum employer contributions to EasyBuild rose to £5 per week for existing policyholders. New starters or re-joiners will only receive the £5 employer contribution if they also match with a £5 employee contribution. Under the National Working Rules agreement the employer is obliged to match employee contributions up to £10 per week. From 1 August 2007 the contribution rates changed from 84p to 97p per week for death benefit cover and from 6p to 3p per week for accident benefit cover.

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 Scheme is managed by B & C E Unit Trust Management Company Limited.

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 2008 there were 12,937 (2007 – 13,222) 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).

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 941 payments to beneficiaries by 31 March 2008 and £969,103 had been transferred from the Company.

The Trustees of the Charitable Trust agreed, with the support and agreement of the Board of the Company, to act as a fundholder for donations to an occupational health pilot project "Constructing Better Health (CBH)" for the construction industry which was overseen by the Health and Safety Executive. Donations from the Company and certain other industry institutions were made to designated bank accounts held for the specific purpose of the pilot project to the Charitable Trust. The Company agreed to donate up to £245,000 (less the expenses of setting up and running a company to administer the pilot project). The final payments totaling £53,000 were made during the year.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Review of activities - B&CE Insurance Limited

During 1995 B&CE Insurance Limited was established. 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, accident cover and EasyBuild stakeholder pension scheme.

As at 31 March 2008 there were 173 Accident and Injury, 95 Term Assurance, 5,907 RapidCash, 7,462 Annuity and 492,491 EasyBuild policies in force.

Review of business

The Group's success is dependent on the proper selection, pricing and ongoing management of the risks it accepts. The Group has established a framework of policies, procedures and internal controls over the process of risk acceptance and risk management. All policies are subject to Board of Directors approval and ongoing review by management, risk management, internal audit, and regulators. In addition, certain key procedures receive peer review and oversight from the risk management and compliance team.

A Corporate Governance framework, including control environment and risk policies is established by the Group, responsibility for the effective management of risk and oversight of risk philosophy, risk selection and risk management rests with each Company's Board of Directors. Senior members of Management and Risk Management together with internal audit are required to report key risks and the effectiveness of risk management to the Group Audit and Risk Committee and the full Board on a regular basis. The Group Audit and Risk Committee is responsible for satisfying itself that a proper internal control framework to manage financial risks is in place and that controls operate effectively.

The consolidated profit and loss account for the year is set out on page 12. Turnover for the year decreased from £22.8m to £21.9m, this amount comprised income £24.6m (2007 – £21.3m) and loss on investments £2.7m (2007 gain – £1.5m). After deducting enhanced retirement benefit contributions of £1.8m (2007 – £1.4m), and net operating expenses of £24.7m (2007 – £9.8m), and adding other finance income of £0.3m (2007 – £0.2m), there was a loss before taxation of £4.3m (2007 gain – £11.8m). After a tax charge of £1.3m (2007 – £4.2m) there was a loss for the year of £5.6m (2007 gain – £7.6m) which has been taken from 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.

Key performance indicators

Management and the Board review Key Performance Indicators (KPI's) on a quarterly basis.

These include the number of employers and operatives in the Schemes, the value of contributions received in respect of the Schemes and total Group costs. Key highlights from the year include,

	2008 Number	2007 Number
Employers in the Holidays with Pay Scheme	6,483	6,604
Operatives in the Holidays with Pay Scheme	230,953	224,074
Receipts for Holiday Pay, EasyBuild premiums and Accident and Death Cover	£462,277,406	£431,509,396
Values of the payments of Holiday Pay	£395,666,692	£359,278,653

The number of employers remained relatively flat but the number of operatives showed a significant increase. Group costs were on Budget.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Key performance indicators (continued)

The KPI's for the Insurance Company and Unit Trust Company are also monitored on a quarterly basis

In respect of the Insurance Company General Business, RapidCash performance is measured by the following KPI's

- Number of new policies
- Cost per sale
- Lapse rate
- Claims ratio

During the year advertising was reduced whilst the product was reviewed and this resulted in fewer policies than budgeted, but at a lower cost per sale. The lapse rate was marginally lower than in the previous year activity, claim rates were also lower when compared to the previous year.

In respect of Long Term Insurance Business performance is measured by the following KPI's

- EasyBuild*
 - Premiums received
 - Individuals making contributions
 - Average weekly contribution – Employee
 - Employer
 - Average fund value
 - Dormancy rates
- Annuities*
 - Premiums received
 - New policies created
 - Average policy values
 - Conversion rates from maturing B&CE pension policies

During the year EasyBuild policies continued to increase to a total of 492,491 (2007 – 445,349) with dormant policies finishing the year at 286,000 (2007 – 241,427). Contributions to EasyBuild exceeded previous years levels at £72.5m (2006/07 – £64.7m). This was caused by increases in new starters, standard industry contribution levels and a marginal increase in the number of individuals contributing.

The number of annuity policies in force increased to 7,462 (2007 – 5,534) mainly from maturing, low value EasyBuild policies.

For B&CE Unit Trust Management Company Limited KPI's include the number of policyholders, the value of the fund and total costs.

The number of Policyholders continued its marginal decline to a total of 12,937 policies (2007 - 13,222) as the scheme is not currently being marketed. Costs were on budget.

Future activities

The Group proposes to continue to provide benefits to those working in the industry and to expand its membership wherever possible. The product range will be expanded in line with the re-engineering of the strategy to ensure that the Group continues to meet the needs of the industry and all those that work within it.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effect of

Credit risk

The Insurance Company has two reinsurance arrangements in place, these arrangements expose the Insurance Company to the risk that the reinsurers will be unable to pay amounts in full when due. The Company actively manages this risk on behalf of the Group by reviewing their credit rating against other reinsurers in the market.

The Group's transactions in sterling cash deposits expose it to the risk that the counterparty will not repay the deposit, to minimise this, the Group only deals with a list of highly rated UK counterparties. There is also a risk that a counterparty will be unable to pay amounts in full when due. The Company manages this risk on behalf of the Group by active credit control.

Liquidity risk

Financial instruments held by the Group include short-term sterling cash deposits designed to ensure the Group has sufficient available funds for operations.

The announcement of the withdrawal on the National Insurance Concession has increased the risk that potentially all customer Holiday Pay funds will need to be liquidated in 2012. The Group recognises this as a key risk to liquidity given the current financial climate and has revised its investment strategy to move to secure funds in appropriate investment vehicles to ensure that liquidity is not threatened in 2012.

The terms of the policies written ensure the Insurance Company is not committed to making payments to unit policy holders before the corresponding money can be released from the reinsurers.

Interest rate risk

The Group invests its surplus funds in fixed and floating rate deposits. Changes in the interest rates will result in income increasing or decreasing, however, the Group is not reliant on interest receivable for its income.

Debtors and creditors do not earn or pay interest and have been excluded from disclosure of financial instruments.

Property values

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.

Directors

The Directors at 25 July 2008 are listed on page 2. There were eight Board meetings during the year and the average attendance by Directors was 69%. The Chairman attended all the meetings.

The Directors due to retire at the Annual General Meeting are Mrs S Copland-Jones, Messrs S D Murphy, P Davies and R J Blackman, all have been re-appointed by their respective organisations.

Mr M Fordy OBE retired as Director on 21 September 2007 and Mr T Vernon also retired in July 2007. The Chairman on behalf of the Board paid tribute to both for their achievements as B & CE Directors. Mr Fordy was replaced as a Director by Mr J S Brown. A replacement Director for Mr Vernon has yet to be announced.

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.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Employees

Employee Involvement

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

Disabled persons

The Group'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 Group 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 Group 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 throughout the regions work hard to provide an efficient and cost effective service to the industry.

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

Health & Safety Policy

The Group recognises its responsibility to its staff, visitors and contractors to provide and maintain safe and healthy working conditions, equipment and systems of work and to provide such information, instruction, training and supervision as is needed. The Group has policies and procedures in place to ensure that it complies, so far as is reasonably practicable, with the requirements set out in the Health and Safety at Work Act 1974 and all other associated legislation, and has appointed internal and external competent persons to act on its behalf in this respect.

Charitable donations

During the financial year the Company contributed £183,000 (2007 – £145,378) to the Building and Civil Engineering Charitable Trust (this included £53,000 of contributions to the Constructing Better Health pilot project) and £1,290 (2007 – £15,834) for other charitable purposes.

Political donations

There were no donations to political parties during the year (2007 – Nil).

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&CE Insurance Limited.

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.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Statement of internal control

The parent company Board has overall responsibility for B&CE's systems of internal control and for reviewing their effectiveness. The Board has delegated to management responsibility for establishing systems of internal controls appropriate to the business environment in which the Group operates.

The systems of internal controls are designed to manage and minimise the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. The controls include financial, operational and compliance controls and risk management.

The Group Audit and Risk Committee have reviewed their systems of internal controls on behalf of the Board. The Committee's work has included:

- reviewing the internal audit work plans,
- meeting with the Chief Executive and the internal and external auditors to discuss the systems of internal controls and any material weaknesses reported,
- discussing with management the actions to be taken on any problem areas identified by Board members or in the audit reports.

The Group Audit and Risk Committee have also reviewed the effectiveness of the risk management process and any significant risk issues have been referred to the Board for consideration.

The Group Audit and Risk Committee consists of four non-executive directors. The Minutes of the Group Audit and Risk Committee meetings are circulated to the directors and Risk Management is included as an agenda item at all Board meetings. Committee meetings were held on 15 June and 21 September 2007 and 1 February 2008.

The Board, through the Audit and Risk Committee, has reviewed the Internal Audit Section's reports on the Group's systems of internal controls for the year ending

31 March 2008, and no significant weaknesses have been reported.

Corporate Governance

The Group aims to satisfy the principles of 'good governance' and comply with the requirements of the Companies Act by ensuring that it has a transparent and effective decision making process in place. A major Corporate Governance review was instigated in July 2007, which is due for completion in autumn 2008.

The review included identifying appropriate benchmarks against which both the Chairman's and the Board's performance (as a whole) can be formally evaluated in future.

The Remuneration Committee, consisting of two non-executive Directors and the Chairman met on the 12 May 2006 and 13 September 2006 respectively. At the meeting held on 13 September 2006, the Committee reviewed and recommended increases to the Chairman's salary and the non-executive Directors fees with effect from 1 October 2006. The recommendations, based on the aggregate of the Retail Price Index and the Average Earning Indices over previous years, were agreed by the Board on 29 September 2006.

The next review will take place in 2009.

Building and Civil Engineering Holidays Scheme Management Limited

Directors' report (continued)

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and 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 and Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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.

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

Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

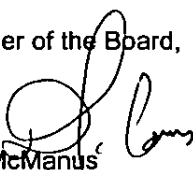
Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Auditor Objectivity

The Group has a policy that if PricewaterhouseCoopers LLP (PwC) are required to provide any non-audit services to the Group, PwC will give a written assurance that such work is treated as totally independent from that associated with the normal audit work in order to ensure objectivity.

By Order of the Board,



D B McManus
Group Secretary

25 July 2008

Building and Civil Engineering Holidays Scheme Management Limited

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

We have audited the group and parent company financial statements (the "financial statements") of Building and Civil Engineering Holidays Scheme Management Limited for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Gatwick

6 August 2008

Building and Civil Engineering Holidays Scheme Management Limited

Consolidated profit and loss account for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Turnover	3	21,945	22,773
Enhanced retirement benefits	19	(1,825)	(1,434)
Net operating expenses	4	(24,764)	(9,785)
(Loss)/gain before interest and taxation	5	(4,644)	11,554
Other finance income	18	327	248
(Loss)/gain before taxation		(4,317)	11,802
Tax charge	8	(1,303)	(4,200)
(Loss)/gain for the year	15	(5,620)	7,602

All of the Group's activities are continuing

Statement of consolidated total recognised gains and losses for the year ended 31 March 2008.

		2008 £000	2007 £000
(Loss)/gain for the year		(5,620)	7,602
Actuarial gain on pension scheme	18	5,029	1,693
Total gains and losses recognised since last annual report		(591)	9,295

Note of consolidated historical cost profits and losses for the year ended 31 March 2008

		2008 £000	2007 £000
Reported (loss)/gain before taxation		(4,317)	11,802
Unrealised loss/(gain) on current asset investments	3	9,952	(167)
Historical cost gain before taxation		5,635	11,635
Historical cost gain for the year after taxation		4,332	7,435

Balance sheets at 31 March 2008

The financial statements on pages 13 to 35 were approved by the board of directors on 25 July 2008 and were signed on its behalf by -

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Building and Civil Engineering Holidays Scheme Management Limited

Consolidated cash flow statement for the year ended 31 March 2008

	2008	2007
	£000	£000
Net cash (outflow)/inflow from operating activities	(3,470)	10,140
Taxation	(3,406)	(1,319)
Capital expenditure and financial investment (Note A)	11,502	2,878
	<u>4,626</u>	<u>11,699</u>
Management of liquid resources (Note A)	7,985	(11,392)
Increase in cash	<u>12,611</u>	<u>307</u>

Reconciliation of net cash flow to movement in net funds (Note B)

Increase in cash in the period	12,611	307
Net (decrease)/increase in liquid resources	(7,985)	11,392
Realised loss on sale of current asset investments	(1,476)	(254)
Increase in unrealised loss on current asset investments	(3,649)	(1,079)
	<u>(5,125)</u>	<u>(1,333)</u>
Change in net funds	<u>(499)</u>	<u>10,366</u>
Net funds at the start of the year	52,367	42,001
Net funds at the end of the year	<u>51,868</u>	<u>52,367</u>

Reconciliation of gain before interest and taxation to net cash flow from operating activities

Gain before interest and taxation (see note below)	2,069	2,843
Depreciation charges	494	520
Gain on sale of fixed asset investments	(8,858)	(3,736)
Realised and unrealised decrease/(increase) in unrealised gain on Insurance Business investment assets	1,667	(883)
Loss/(gain) on sale of tangible assets	25	(2)
Loss on sale of current asset investments	1,476	254
Decrease in unrealised gain on current asset investments	3,649	1,079
Difference between pension charge and cash contributions	(1,369)	(1,235)
Decrease/(increase) in debtors	53	(101)
(Decrease)/increase in creditors	(2,676)	11,401
Net cash (outflow)/inflow from operating activities	<u>(3,470)</u>	<u>10,140</u>

Note

In accordance with FRS1 (revised) the gain before taxation above excludes the Long Term Insurance loss before taxation of £6 713m (2007 – gain £8 711m)

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the cash flow statement

Note A - Gross cash flows

	2008 £000	2007 £000
Capital expenditure and financial investment		
Payments to acquire fixed asset investments	(972)	(3,457)
Payments to acquire Insurance Business investment assets	(513)	(1,746)
Payments to acquire tangible fixed assets	(110)	(174)
Receipts from sales of fixed asset investments	13,034	7,483
Receipts from sales of Insurance Business investment assets	1	750
Receipts from tangible fixed assets	62	22
	<u>11,502</u>	<u>2,878</u>
Management of liquid resources		
Purchase of gilts and euro bonds	(27,282)	(37,874)
Sale of gilts and euro bonds	35,267	26,482
	<u>7,985</u>	<u>(11,392)</u>

Note B - Analysis of changes in net cash

	1 April 2007 £000	Cash flows £000	Other £000	31 March 2008 £000
Cash in hand and at bank				
- Benefits Scheme Administration	1,764	(271)	-	1,493
- Insurance Business	28	(17)	-	11
Bank deposits repayable on demand				
- Benefits Scheme Administration	3,578	12,578	-	16,156
- Insurance Business	575	321	-	896
	<u>5,945</u>	<u>12,611</u>	<u>-</u>	<u>18,556</u>
Liquid resources				
Current asset investments	46,422	(7,985)	(5,125)	33,312
Total	<u>52,367</u>	<u>4,626</u>	<u>(5,125)</u>	<u>51,868</u>

Other changes of £5 125m comprises the realised gain and the unrealised movement in market values between the year end dates on current asset investments

Analysed in balance sheet

Current asset investments – Listed	46,422	33,312
Insurance Business – Bank deposits	3,548	1,741
Less Long Term Insurance Business – Bank deposit	(2,973)	(845)
	<u>575</u>	<u>896</u>
Insurance Business – Cash at bank	(34)	11
Less Long Term Insurance Business – Bank overdraft	62	-
	<u>28</u>	<u>11</u>

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements for the year ended 31 March 2008

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

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 prepares its accounts in accordance with Schedule 4 of the Companies Act 1985. However, as permitted by the Act the accounts formats have been adapted, as necessary, to give a true and fair view of the state of affairs and the loss of the Group. In particular, financial information on the Group's insurance business activities is presented in a manner having regard to 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 2005 (as amended in December 2006) ("the ABI SORP")

Basis of consolidation

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

Investments

Investments held for the long term (excluding investments in subsidiaries), are stated at cost or, where there has been an impairment in value, at market value.

In B&CE Insurance Limited's operations, quoted shares and other securities are recorded at market value which is bid price or where investments are dealt at a single price this value is used.

Investments held as current assets are stated at market value.

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

Acquisition costs

All acquisition costs are charged to the profit and loss accounts when incurred.

In respect of general insurance, in the opinion of the Directors, the application of the treatment recommended by the ABI SORP to defer acquisition costs would not have a material impact on the result of the period or the financial position of the company.

In respect of long term insurance, linked business acquisition costs have not been deferred due to the uncertainties over the achievement of future margins arising from future potential discontinuances of the stakeholder policies.

In respect of the annuity policies, the costs in question have already been recovered from the initial premiums and therefore have not been deferred.

In respect of term assurance policies, these policies are no longer being sold and there are no acquisition costs incurred or deferred.

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Long term business provision

The long term business provision is computed by a Fellow of the Institute of Actuaries, on the basis of recognised actuarial methods with due regard to the actuarial principles set out in Council Directive 2002/83/EC. The valuation basis adopted reflects the value of related assets and the yield derived therefrom, together with a prudent assessment of future rates of return on new monies receivable as income from existing business (premiums and investment income). The principal assumptions underlying the calculation of the long term business provision are set out in note 14.

Long term business reinsurance contracts

Long term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment, persistency and expenses. Such contracts are accounted for as insurance contracts (Note 20).

Operating leases

Operating lease rentals are charged on a straight line basis to the profit and loss 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

Additions to fixed assets are capitalised at cost including any direct installation costs.

Turnover

Turnover represents fees (excluding VAT), dividends, interest, realised and unrealised gains/losses on investments and premium income (excluding insurance premium tax) receivable. Dividend income is recognised on a net basis. Sales between Group companies are excluded.

Pension costs

The Group operates a defined benefit pension scheme which is contracted out of the State Scheme. Triennially a valuation of the scheme is performed by a professionally qualified independent actuary, subsequently the rates of contribution payable are based on advice from the actuary. In the intervening years the actuary performs interim reviews of the scheme ensuring the continuing appropriateness of the contribution rates. For the purpose of these annual updates, the scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the project unit method, these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term.

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.

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Deferred tax

FRS19 "Deferred tax" has been adopted requiring deferred tax to be provided on all timing differences, arising from the different treatment for accounts and tax purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated the tax will arise.

Holiday with pay scheme

The receipt and reimbursement of holiday pay has not been included in the consolidated profit and loss account as these movements do not affect the financial results for the year. However the unredeemed balances of holiday pay are contained in creditors (Note 13).

Financial instruments

Financial instruments held at cost, subject to impairment in value if it is considered permanent, include cash, debtors and creditors.

Operating expenses

The majority of the overhead costs in relation to the Benefit Group including the long term business provisions are reported under operating expenses as this is considered to be the most appropriate allocation for disclosure purposes and understanding of the financial results.

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.

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

3 Segmental information – all business is conducted within the UK

Type of business	Turnover		(Loss)/gain before tax		Net assets	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Benefit Schemes Administration	11,714	9,810	2,756	1,482	23,898	18,632
Insurance Business	10,231	12,963	(7,073)	10,320	36,742	42,599
	<u>21,945</u>	<u>22,773</u>	<u>(4,317)</u>	<u>11,802</u>	<u>60,640</u>	<u>61,231</u>
	Benefit Schemes Administration £000	2008 Insurance Business £000	Group Total £000	Benefit Schemes Administration £000	2007 Insurance Business £000	Group Total £000
Investment income -						
Income from listed investments	5,204	3,579	8,783	5,084	3,189	8,273
Interest on short-term deposits	675	350	1,025	490	207	697
Miscellaneous net income	72	69	141	40	69	109
Unit Trust management fees	2,030	-	2,030	1,793	-	1,793
Insurance Business - General	-	1,682	1,682	-	1,907	1,907
Insurance Business - Long term	-	11,022	11,022	-	8,529	8,529
	<u>7,981</u>	<u>16,702</u>	<u>24,683</u>	<u>7,407</u>	<u>13,901</u>	<u>21,308</u>
Gain on investments -						
Realised gain/(loss)	7,382	(169)	7,213	1,324	(26)	1,298
(Decrease)/increase in unrealised gain on current asset and Insurance Business investments	(3,649)	(6,302)	(9,951)	1,079	(912)	167
	<u>3,733</u>	<u>(6,471)</u>	<u>(2,738)</u>	<u>2,403</u>	<u>(938)</u>	<u>1,465</u>
Turnover	<u>11,714</u>	<u>10,231</u>	<u>21,945</u>	<u>9,810</u>	<u>12,963</u>	<u>22,773</u>
Operating expenses:-						
Acquisition costs		1,426			1,650	
Long term		190			675	
General		2,471			2,245	
Administration - Long term		(20)			25	
- General		2,984			2,348	
Claims - Long term		436			622	
- General		9,674			(5,050)	
Provision - Long term		143			128	
General Expenses		<u>17,304</u>			<u>2,643</u>	
(Loss)/gain		<u>(7,073)</u>			<u>10,320</u>	

Building and Civil Engineering Holidays Scheme Management Limited
Notes to the financial statements (continued)

4 Net operating expenses

	GROUP	
	2008	2007
	£000	£000
Benefits schemes administration – other	7,460	7,142
Insurance business – other	7,630	7,693
	<u>15,090</u>	<u>14,835</u>
Insurance business - provision	9,674	(5,050)
	<u>24,764</u>	<u>9,785</u>

5. Gain before taxation

	GROUP		COMPANY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Gain before taxation				
is stated after charging				
Employee costs (Note 6)	5,960	5,758	5,274	5,064
Directors' remuneration (Note 7)	183	169	54	43
Operating lease charges				
- other (Note 22)	41	-	41	-
Depreciation (Note 10)	508	528	494	520
Loss/(gain) on sale of tangible fixed assets	25	(2)	25	(2)
Auditors services				
Fees payable to the Group's auditors for the audit of the Group	85	73	51	46
Non-audit services				
Fees payable to the Group's auditors and its associates for other services				
Other services pursuant to legislation, including the audit of the regulatory return (see note below)	50	45	-	-
Tax Services	122	36	100	9
Advisory Services	11	157	11	142

Note Regulatory reporting included the FSA returns, Stakeholder declaration and APSS 106 return

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

6. Employee information

	GROUP	
	2008	2007
	£000	£000
Staff costs during the year amounted to -		
Salaries and wages	4,701	4,544
Social security	403	374
Staff Pension Scheme costs (Note 18)	673	804
Mortgage subsidies	62	36
Compromise agreements	121	-
	<u>5,960</u>	<u>5,758</u>

Staff Pension Scheme costs above are the actuarial FRS17 'Retirement benefits' cost, the actual contributions amounted to £0 791m (2007 – £0 789m)

The average monthly number of staff employed by the Group during the year was -	Number	Number
	186	187
Management	12	14
Clerical	166	165
Manual/Services	8	8
	<u>186</u>	<u>187</u>

The figures disclosed in this note include executive Directors but exclude non executive Directors

7 Directors' remuneration

	GROUP	
	2008	2007
	£000	£000
Aggregate emoluments	183	169

The figures above comprise non executive Directors' emoluments and an apportionment of executive Directors' emoluments in respect of their services to the subsidiary companies

There were no pension contributions paid in respect of non executive Directors' who received emoluments above. However there were effectively pension contributions in respect of executive Directors' apportioned emoluments for their services to the subsidiary Companies

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

8. Taxation

	GROUP	
	2008	2007
	£000	£000
UK corporation tax on gains for the year	2,908	2,091
UK corporation tax on Long Term Insurance Business	(798)	(416)
Adjustment in respect of previous periods	(539)	(273)
Total current tax charge	<u>1,571</u>	<u>1,402</u>
Deferred tax (including credit attributable to Long Term Insurance Business)	(268)	2,798
Total tax charge	<u>1,303</u>	<u>4,200</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

(Loss)/gain on ordinary activities before tax	(4,318)	11,802
(Loss)/gain on ordinary activities multiplied by standard rate in the UK 30% (2007 – 30%)	(1,296)	3,541
Effect of		
Non allowable expenses	2,399	2,117
Net franked investment income	(849)	(944)
Net difference between taxable capital gains and book gains on equity investments	2,638	705
Adjustment in respect of previous periods	(539)	(273)
Differences in respect of Long Term		
Business taxation	1,216	(3,029)
Other differences	(1,998)	(715)
Current tax charge for the period	<u>1,571</u>	<u>1,402</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 gain

In accordance with the ABI SORP, the above reconciliation excludes the tax attributable to the policy holders of the long term insurance business

Deferred taxation

A deferred tax liability of £2.1m (2007 – liability £3.3m) has been recognised in respect of investments of the Insurance Company Long Term fund. Deferred tax assets in respect of Long Term Insurance Business management expenses of £154,000 (2007 – £220,000) and Long Term Insurance pension business losses of £520,000 (2007 – £349,000) have not been recognised as it is uncertain whether these losses can be utilised in the future. There are no deferred tax assets or liabilities in relation to the Insurance Business shareholder's fund (non-technical account). A deferred tax liability of £21,660 (2007 – liability £38,414) on timing differences on market value of investments held by B & C E Unit Trust Management Company Limited has not been recognised as these will not be sold in the foreseeable future.

9. Loss 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 loss for the financial year was £1,349,458 (2007 – loss £727,083).

Building and Civil Engineering Holidays Scheme Management Limited

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 and COMPANY					
Cost					
At 1 April 2007	5,986	498	1,450	470	8,404
Additions	-	13	97	-	110
Disposals	-	-	(69)	(285)	(354)
At 31 March 2008	5,986	511	1,478	185	8,160
Depreciation					
At 1 April 2007	2,251	419	1,278	258	4,206
Charge for the year	282	52	97	63	494
Disposals	-	-	(69)	(198)	(267)
At 31 March 2008	2,533	471	1,306	123	4,433
Net Book Value					
At 31 March 2008	3,453	40	172	62	3,727
At 31 March 2007	3,735	79	172	212	4,198
General and Long Term Insurance Business					
Cost					
At 1 April 2007			273		273
Additions			-		-
At 31 March 2008			273		273
Depreciation					
At 1 April 2007			241		241
Charge for the year			14		14
At 31 March 2008			255		255
Net Book Value					
At 31 March 2008			18		18
At 31 March 2007			32		32

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

11. Investments

Fixed assets

	GROUP		COMPANY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Shares in Group undertakings at cost	-	-	60,050	60,050
Other investments				
Eurobonds	4,875	4,427	-	-
Listed equities	7,302	10,951	7,302	10,951
Listed equity open ended investment companies	34,339	34,342	34,339	34,342
	<u>46,516</u>	<u>49,720</u>	<u>101,691</u>	<u>105,343</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

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

Listed Investments

Cost at 1 April	49,720	50,009	45,293	46,776
Additions	975	3,457	-	2,000
Disposals	(4,179)	(3,746)	(3,652)	(3,483)
Cost at 31 March	<u>46,516</u>	<u>49,720</u>	<u>41,641</u>	<u>45,293</u>

Market Value at 31 March	<u>66,127</u>	<u>86,086</u>	<u>61,330</u>	<u>81,788</u>
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Current assets

Listed investments	37,136	46,597	37,136	46,597
Bank deposits	16,156	3,578	15,732	3,378
Cost at 31 March	<u>53,292</u>	<u>50,175</u>	<u>52,868</u>	<u>49,975</u>

Listed investments	33,312	46,422	33,312	46,422
Bank deposits	16,156	3,578	15,732	3,378
Market Value at 31 March	<u>49,468</u>	<u>50,000</u>	<u>49,044</u>	<u>49,800</u>

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

11. Investments (continued)

General and Long Term Insurance Business

	2008	2007
	£000	£000
Open Ended Investment Companies	26,541	26,542
UK Government Gilts and Eurobonds	62,815	53,456
Bank deposits	1,740	3,548
Cost at 31 March	91,096	83,546
Open Ended Investment Companies	30,485	33,016
UK Government Gilts and Eurobonds	56,965	51,379
Bank deposits	1,741	3,548
Market Value at 31 March	89,191	87,943

There is no difference between the cost and carrying value of assets held to cover linked liabilities

12. Debtors

	GROUP		COMPANY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Amounts owed by Group undertakings	-	-	256	460
Loan debtors	263	-	-	-
Other debtors	265	109	96	108
Accrued income	900	1,191	812	1,110
Prepayments	340	381	340	381
	1,768	1,681	1,504	2,059

Loan debtor of £262,500 (2007 – Nil) is due after more than one year. This amount owed by Constructing Better Health (CBH) is unsecured, interest free and has two repayment dates £150,000 on 31 July 2011 and the balance on 31 July 2012. The total loan available is £350,000 and the undrawn amount at the year end was paid on 16 April 2008 (Note 23).

Amounts owed by Group undertakings represents recharged administration costs for the final quarter of the year which are normally settled in the following quarter.

Debtors – General and Long Term Insurance Business

	2008	2007
	£000	£000
Accrued income	1,337	1,075
Prepayments	45	47
Other debtors	2,331	1,471
	3,713	2,593

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

13. Creditors - Due within one year -

	GROUP		COMPANY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Client money	411	586	-	-
Unredeemed balances of holiday pay	80,517	83,015	80,517	83,015
Provision for enhanced retirement benefits	158	119	158	119
EasyBuild Creditor	60	-	60	-
Corporation Tax	475	540	455	313
Other taxation and social security contributions	132	114	119	105
Other creditors	1,523	1,865	1,523	1,628
Accruals	396	366	226	196
	83,672	86,605	83,058	85,376

Creditors - General and Long Term Insurance Business

	2008	2007
	£000	£000
Bank Overdraft	-	34
Corporation Tax	3,179	3,330
Other taxation and social security contributions	103	92
Other creditors	198	850
Accruals	324	192
	3,804	4,498

14 Long term business provision

The long term business provision is computed by a Fellow of the Institute of Actuaries, on the basis of recognised actuarial methods with due regard to the actuarial principles set out in Council Directive 2002/83/EC

Linked business sterling reserve	15,201	14,018
Annuities	37,184	29,450
Term assurance gross provisions	17	20
	52,402	43,488
Term assurance reinsurer's share	(15)	(18)
	52,387	43,470

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

14 Long term business provision (continued)

The principal assumptions underlying the calculation of the long-term business provision in respect of non-profit business are as follows

Class of business	2008	2007
Mortality		
Immediate pensions annuities	90% PNMA00U=2008 ⁽³⁾ + 3 years of age for males, 90% PNFA00U=2008 ⁽³⁾ + 1 year to age for females	80% PMA92 U=2007 ⁽²⁾ + 3 yrs to age for males 80% PFA92 U=2007 ⁽²⁾ + 1 yr to age for females
Unit linked Stakeholder pensions	80% AM/F92(2) ult	80% AM/F92(2) ult
Interest rate (%pa)		
Immediate pensions annuities	5 10 ⁽¹⁾	4 60 ⁽¹⁾
Unit linked Stakeholder pensions	3 60 ⁽¹⁾	3 80 ⁽¹⁾
Unit growth rate (% pa)		
Immediate pensions annuities	n/a	n/a
Unit linked Stakeholder pensions	4 60	4 90

Notes

1 In the 2008 valuation, a deduction of 0.30% pa is made from the valuation interest rates to allow for investment related expenses. For 2007, a deduction of 0.30% pa was made. The rates shown above are net of this deduction.

2 Allowance is made for future mortality improvements in accordance with the medium cohort improvement factors from the Continuous Mortality Investigation Bureau published in 2002. In the 2007 valuation, future male improvement factors are subject to a minimum of 0.5% pa.

3 Allowance is made for future mortality improvements in accordance with the long cohort improvement factors from the Continuous Mortality Investigation Bureau. In the 2008 valuation, future male improvement factors are subject to a minimum of 1.5% pa.

All significant classes of business have been valued using a gross premium methodology. No policy has an overall negative provision or a provision less than its current surrender value.

Stakeholder pensions policies have been valued as regular premium where future premiums are reasonably predictable. A prudent assumption has been made in respect of the rate at which premiums cease on such policies. In 2008 this rate was 19.50% for policies without an employee contribution and 8.75% for policies with an employee contribution. In 2007 the rate was 17.50% per annum for all policies.

Assumptions are set by reference to current experience together with reference to publicly available market data where available. A prudent margin is then included for the purposes of calculating regulatory capital requirements.

A reduction in interest rates would reduce the impact of discounting future payments in the calculation of the long-term business provision, resulting in an increased provision. Similarly, if a lower mortality rate were assumed to apply in the future, the long-term business provision would increase.

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

14. Long term business provision (continued)

Expenses are separated into attributable and non-attributable expenses. The attributable expenses are used to derive the per policy expense. For the 2008 valuation, the per policy expense for Stakeholder pensions policies is £3 70 pa, 25% lower for current dormant policies (£4 30 pa in the 2007 valuation, 25% lower for current dormant policies) and £44 00 pa (£31 00 pa in 2007) for immediate pensions annuities. Non-unit fund related investment expenses are allowed through a reduction in the valuation interest rates. For 2008, the reduction is 0 30% pa (0 30% pa for the 2007 valuation). Expenses are assumed to inflate at 4 70% pa (4 30% in 2007). If expenses were assumed to be higher, the long-term business provision would increase.

15. Reserves

	GROUP £000	COMPANY £000
At 1 April 2007	61,231	74,892
Loss for the year	(5,620)	(1,349)
Actuarial movement on pension deficit	5,029	5,029
At 31 March 2008	60,640	78,572
Pension surplus	4,598	4,598
Reserves excluding pension surplus	56,042	73,974

16. Related party transactions

During the year the Company made payments to four industrial organisations in respect of promotional fees and for the provision of Directors services as follows:

Industrial Organisation	Charge for Year		Balance outstanding	
	2008 £	2007 £	2008 £	2007 £
Construction Confederation	358,930	342,180	88,110	87,520
UCATT	127,508	126,408	30,316	32,112
Unite the Union T & G Section	103,482	99,332	25,414	25,248
GMB	29,080	28,080	7,160	7,120

The Construction Confederation have appointed six Directors. UCATT appointed three Directors, Unite the Union T & G Section two and GMB one. Fees of £8,000 (2007 – £8,000) are payable for each Director provided.

There was not a full complement of Directors in the year (or 2007) resulting in lower fees of £92,000 (2007 – £94,000) paid to industrial organisations for the provision of directors services.

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

17. Capital Commitments

There were no capital commitments at the year end (2007 – Nil).

Building and Civil Engineering Holidays Scheme Management Limited
Notes to the financial statements (continued)

18 Pension commitments

The Company operates an occupational defined benefit pension scheme known as the B&CE Staff Pension Scheme, which provides benefits based on final pensionable salary. The assets of the Pension Scheme are held separately from those of the Company, in an independently administered trust fund.

Based on advice from the Scheme's independent actuary, the current Group contribution rate from 1 April 2006, was 18.5% of pensionable salaries and the members rate was 5% of pensionable salaries for 80ths pension accrual or 7.5% of pensionable salaries for 60ths pension accrual.

The actuarial valuation of the B&CE Staff Pension Scheme as at 31 December 2007 is awaiting authorisation. The principal assumptions used by the qualified actuary in updating the latest valuation of the Scheme for FRS17 purpose were:

	31 March 2008 % p.a.	31 March 2007 % p.a.	31 March 2006 % p.a.
Discount rate	6.9	5.4	4.9
Rate of increase in salaries	4.8	4.4	4.2
Price inflation	3.6	3.2	3.0
Pension increases			
on pension accrued before 1 January 1995	3.0	3.0	3.0
on pension accrued since 1 January 1995	3.4	3.1	2.9

On the FRS17 basis, the assets and liabilities of the Pension Scheme and the expected rates of return were:

	Long-term rate of return expected at 31/03/08 % p.a.	Value at 31/03/08 £000	Long-term rate of return expected at 31/03/07 % p.a.	Value at 31/03/07 £000	Long-term rate of return expected at 31/03/06 % p.a.	Value at 31/03/06 £000
Equities	7.5	20,821	7.5	22,392	7.3	21,006
Corporate bonds	6.9	5,732	5.4	-	4.7	-
Property	6.5	1,302	6.5	1,563	6.3	1,562
Government Bonds	4.5	6,086	4.5	9,317	4.26	8,815
Other	5.2	72	5.0	983	4.6	268
Cash	5.2	21	-	-	-	-
		34,034				
Total assets				34,255		31,651
Present value of Pension Scheme liabilities		(29,436)		(36,381)		(36,953)
Surplus/(deficit) in Pension Scheme		4,598		(2,126)		(5,302)
Net Pension Scheme asset/(liability)		4,598		(2,126)		(5,302)

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

18 Pension commitments (continued)

	2008 £000	2007 £000
Analysis of profit and loss charge		
Analysis of the amount charged to operating profit		
Current service cost	(673)	(804)
Past service cost	-	-
Total operating charge	<u>(673)</u>	<u>(804)</u>
Analysis of the amounts credited to other finance income		
Expected return on Pension Scheme assets	2,277	2,057
Interest on Pension Scheme liabilities	(1,950)	(1,809)
Net return	<u>327</u>	<u>248</u>
Net profit and loss charge	<u>(346)</u>	<u>(556)</u>
Movement in deficit during the year		
Deficit in Pension Scheme at beginning of year	(2,126)	(5,302)
Current service cost	(673)	(804)
Past service cost	-	-
Contributions paid	791	789
Deficit repair contributions	1,250	1,250
Net interest/return on Pension Scheme assets/liabilities	327	248
Actuarial gain	5,029	1,693
Surplus/(deficit) in Pension Scheme at end of year	<u>4,598</u>	<u>(2,126)</u>
Analysis of amounts recognised in STRGL:		
Actual return less expected return on Pension Scheme assets	(3,336)	(630)
Experience gain on Pension Scheme liabilities	1,593	-
Changes in liability assumptions	6,772	2,323
Actuarial gain recognised in STRGL	<u>5,029</u>	<u>1,693</u>

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

18 Pension commitments (continued)

	2008 £000	2007 £000	2006 £000	2005 £000
History of experience gains and losses:				
Actuarial return less expected return on Pension Scheme assets				
Amount	(3,336)	(630)	3,764	718
Percentage of Pension Scheme assets	(9.8)%	(1.84)%	11.89%	3.13%
Experience gain/(loss) on Pension Scheme liabilities				
Amount	1,593	-	(2,482)	185
Percentage of Pension Scheme liabilities	5.4%	-	(6.72)%	0.62%
Actuarial gain/(loss) recognised in STRGL				
Amount	5,029	1,693	(1,659)	(2,482)
Percentage of Pension Scheme liabilities	17.1%	4.65%	(4.49)%	(8.32)%

The Pension Scheme asset and liability values on the FRS17 basis reflect market conditions at the Company's year-end date and can be expected to vary greatly from year to year, without necessarily affecting the Pension Scheme's long-term ability to provide the required benefits

19 Contingent liabilities

Building and Civil Engineering Accident Benefit Scheme

The Company has undertaken to provide financial support, as and when required, to the Building and Civil Engineering Accident Benefit Scheme. There was no liability as at 31 March 2008 (2007 – Nil)

Building and Civil Engineering Benefits Scheme

The Board of Directors periodically review the financing of the death benefits paid under the Building and Civil Engineering Benefits Scheme and determine the level of financial support based on the Company's resources. There was no liability as at 31 March 2008 (2007 – Nil)

The Building and Civil Engineering Charitable Trust

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 £969,103 in total had been transferred to the Trust

Enhanced retirement benefits

The Board agreed on 26 September 2003 to top up the retirement benefits taken from EasyBuild for all those qualifying operatives who were aged between 55 and 65 at 9 April 2001, to provide benefits equivalent to those which would be received if the operative had continued to accrue benefits under the retirement benefit scheme. A provision of £158,322 (2007 – £405,064) is included in the enhanced retirement benefits charge of £1.825m (2007 – £1.434m) in respect of those that retired between 9 April 2001 and 31 March 2008 not yet paid. There is a contingent liability for those yet to retire which cannot be quantified with any certainty at this stage, and therefore no provision has been made

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

20. Reinsurance arrangements

Reinsurance arrangements are in force as follows

- Term assurance – 90% quota share with a 11.4% overriding commission receivable
- Linked business – 100% reinsurance of unit liabilities

21. FRS27 'Life Assurance'

The Group maintains an efficient capital structure of reserves consistent with the Group's risk profile and the regulatory and market requirements of its business

The Group is subject to a number of regulatory capital tests and employs a number of tests to allocate capital and manage risk. Overall, the Group meets all of these requirements and has significant resources and financial strength

Restrictions on available capital resources

The available capital of B&CE Insurance Limited and B & C E Unit Trust Management Company Limited is subject to certain restrictions as to its availability to meet capital requirements. In particular for B&CE Insurance Limited, no transfers from the long-term fund can take place without an up to date actuarial valuation

The unrestricted Group capital held within reserves is generally available to meet any other requirements including meeting the requirements of the life business. However apart from the unrestricted capital of £19,956m (2007 – £20,101m) of B&CE Insurance Limited any transfers of unrestricted capital from other Group companies would be subject to a tax charge. The Directors of each Company therefore do not consider the unrestricted capital to be available to meet requirements of other parts of the Group. It remains the intention of management to ensure that there is adequate capital to exceed the Group's regulatory requirements. The Group also takes account of the Individual Capital Assessment which considers certain business risks not reflected in the statutory bases

The Group's total available capital resources are £73,022m (2007 – £83,561m) of which £35,639m (2007 – £39,760m) is held by B&CE Insurance Limited and £4,896m (2007 – £4,165m) is held by B & C E Unit Trust Management Company Limited. The capital held by the insurance and unit trust businesses is constrained by regulatory requirements. This means it may not be possible for the capital to be used to provide funding for other Group businesses

	Total Life Business Reserves	Other activities	Group Total	Total Life Business Reserves	Other activities	Group Total
	2008	2008	2008	2007	2007	2007
	£000	£000	£000	£000	£000	£000
Total Reserves	17,003	43,637	60,640	22,123	39,108	61,231
Adjustments onto Regulatory basis						
Adjustment to assets	-	13,965	13,965	-	24,794	24,794
Other adjustments	(1,296)	(287)	(1,583)	(2,434)	(30)	(2,464)
Total available Capital resources	15,707	57,315	73,022	19,689	63,872	83,561

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

21. FRS27 'Life Assurance' (continued)

Liability analysis

	2008 £000	Total Life business 2007 £000
Unit-linked	15,201	14,018
Annuities	37,184	29,450
Term assurance gross provision	17	20
	<u>52,402</u>	<u>43,488</u>
Term assurance reinsurer's share	(15)	(20)
	<u>52,387</u>	<u>43,470</u>
Technical provisions in balance sheet	52,387	43,470

Capital Management

In reporting financial strength, capital and solvency are measured using the regulations prescribed by the Financial Services Authority ("FSA"). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The company's objectives in managing its capital are

- To match the profile of its assets and its liabilities, taking account the risks inherent in the business,
- To maintain financial strength to support existing business and new business growth, and
- To satisfy the requirements of its policyholders and the FSA

B&CE Insurance Ltd is required to hold sufficient capital to meet the FSA's capital requirements. Management intends to maintain surplus capital in excess of the minimum solvency requirement, determined in accordance with FSA regulations, to absorb changes in both capital and capital requirements. At 31 March 2008, the available capital within the long-term fund was 206% (2007 – 342%) of the capital requirement of £7.2m (2007 – £5.8m).

Movement in Capital Resources

	2008 £m	2007 £m
Balance as at 1 April 2007	19.7	13.8
Effect of investment variations	(3.5)	(0.1)
Effect of changes in assumption ⁽¹⁾	0.9	2.0
Effect of changes in management policy	-	1.3
Effect of changes in regulatory requirements	-	10.9
New business	(2.8)	(5.7)
Other Factors		
Capital transfer from general business fund	-	-
Other	1.4	(2.5)
	<u>15.7</u>	<u>19.7</u>
Balance at 31 March 2008	15.7	19.7

Notes

- ¹ The combination of a number of changes in assumptions in respect of future persistency, economic conditions, expenses and mortality

Building and Civil Engineering Holidays Scheme Management Limited

Notes to the financial statements (continued)

21. FRS27 'Life Assurance' (continued)

Capital Resource Sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experience relating to persistency, expenses and mortality.

The most significant sensitivities arise from the following risks:

- Expense risk in relation to the costs of acquiring and administering the business within the long-term fund,
- Persistency risk in relation to the unit-linked pensions business in terms of policyholders continuing to pay premiums into existing policies,
- Market risk in relation to unit-linked pensions business which would arise if the rate of return on unit funds was less than expected leading to a reduction in anticipated annual management charges,
- Market risk in relation to fixed interest securities backing liabilities, which would arise if the return was lower than assumed in the calculation of the liabilities, and
- Mortality risk in relation to annuity business, which would arise if the mortality of annuitants improved more rapidly than the assumptions used in the calculation of the liabilities.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about the future. In general, if experience deteriorates then assumptions relating to future experience would be changed to reflect this. In this way, liabilities would increase in anticipation of future events with an immediate impact on the capital position.

22. Financial commitments

At 31 March 2008 the Group had annual commitments under non-cancellable operating leases for motor vehicle assets expiring as follows.

	GROUP		COMPANY	
	2008 £000	2007 £000	2008 £000	2007 £000
Within two to five years	85	-	85	-

23. Post balance sheet events

Constructing Better Health

B & C E Unit Trust Management Company Limited has issued a loan of up to £350,000 to CBH to ease their cash flow during the development of the business. At the year end there was an undrawn amount of £87,500 which was advanced on 16 April 2008 (Note 7).